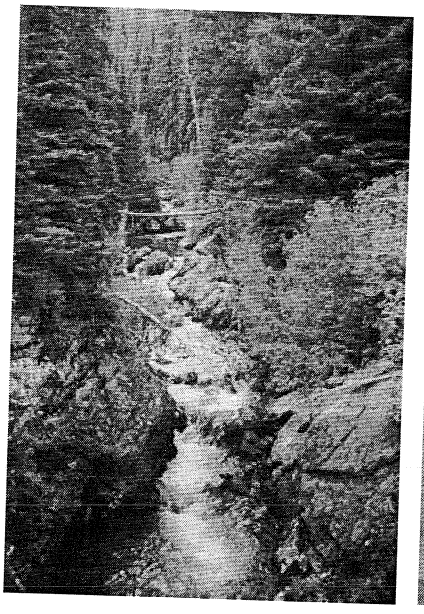
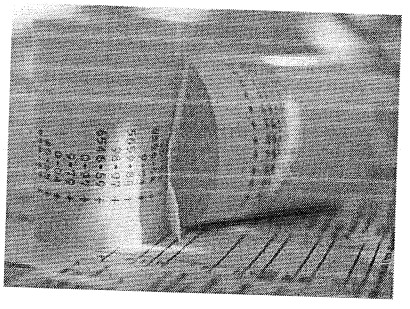
Final Report

Mountain Water Company

Test Year 2004
Comprehensive Water Cost of Service Rate Study

November 2006





Prepared by:

HDR Engineering, Inc.

Exhibit JK-1

HDR ONE COMPANY | *Many Solutions*℠

December 20, 2006

Mr. John Kappes
Assistant General Manager
Mountain Water Company
1345 West Broadway
Missoula, Montana 59802

Dear Mr. Kappes:

HDR Engineering, Inc. was retained by the Mountain Water Company (the "Company) to develop a comprehensive water cost of service analysis. Please find attached our final report on the Test Year (TY) 2004 comprehensive water cost of service study. This report summarizes our findings and conclusions as they relate to the Company's cost of service for this specific test period.

This study has been developed utilizing generally accepted cost of service and rate-setting techniques. HDR has relied, in part, on the books, records, data and information of the Company in the preparation of this study. The findings and conclusions contained within this report are intended to enable the Company to develop equitable and cost-based water rates.

We appreciate the assistance of Company's management and staff in the development of this report. We look forward to the opportunity to provide other technical assistance in the future.

Sincerely yours,
HDR Engineering, Inc.

Tom Gould
Vice President

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Executive Summary

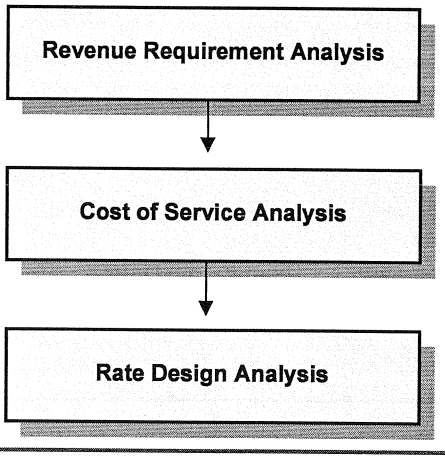
Introduction

HDR Engineering, Inc. (HDR) was retained by the Mountain Water Company (the "Company") to develop a comprehensive water cost of service study for the 2004 Test Year (TY 2004). A comprehensive water cost of service study is used to equitably allocate the Company's revenue requirements to the various types of customers served (e.g. metered, unmetered, etc.). This executive summary provides an overview of the analyses undertaken by HDR on the Company's behalf.

Overview of the Rate Study Process

A comprehensive water rate study utilizes three interrelated analyses to address the adequacy and equity of a utility's rates. These three analyses are a revenue requirement analysis, a cost of service analysis, and a rate design analysis. Table ES-1 provides an overview of these analyses.

Table ES-1
Overview of the Comprehensive Rate Study



Compares the sources of funds (revenues) to the expenses of the utility to determine the overall rate adjustment

Allocates the revenue requirements to the various customer classes of service in a "fair and equitable" manner

Considers both the level and structure of the rate design to collect the target level of revenues

Summary of the Revenue Requirement Analysis

The development of the revenue requirements is the first analytical step in the rate study process. The revenue requirement analysis determines the overall adequacy of the Company's rates. The revenue requirement used in the development of the cost of service analysis and discussed below is the revenue requirement adopted for the Company by the Montana Public Service Commission (PSC) in the Company's most recent general rate increase filing with the PSC. A summary of the revenue requirement is shown below in Table ES-2.

Table ES-2
Summary of Company's TY 2004 Revenue Requirement

Revenue Requirement Components	Test Year 2004
O&M Expenses	
Source of Supply	$122,746
Pumping	1,274,684
Water Treatment	165,527
Transmission and Distribution	1,291,837
Clearings	324,658
Customer Accounts and Service	870,630
Administrative & General Expenses	4,086,735
Total O&M Expenses before Taxes and Transfers	$8,136,818
Less: Miscellaneous Revenues	$4,654
Plus: Taxes	$1,888,077
Total O&M Expenses	$10,020,241
Plus: Return on Rate Base	$2,871,568
Plus: Depreciation Expense	1,665,414
Total Additions	$4,536,982
Total Revenue Required From Rates	**$14,557,222**

Once the revenue requirement has been established the next step is to equitably allocate those expenses to the customer classes of service.

Summary of the Cost of Service Analysis

A cost of service is used to equitably allocate the revenue requirements to Company's customers. There are two primary objectives in conducting a cost of service analysis:

- Allocate the revenue requirements among the customer classes of service, and
- Derive average unit costs for subsequent rate designs.

The objectives of the water cost of service analysis are different from determining revenue requirements. A revenue requirement analysis determines the utility's overall financial needs, while the cost of service analysis determines the "fair and equitable" manner to allocate those revenue requirements. A cost of service analysis is one of several criteria used to establish cost-based and defensible rates. Historically the Company has developed its cost of service analysis internally. However, in discussions with Company staff, it was determined that HDR would develop a new cost of service model for the TY 2004 test period utilizing the base/extra-capacity methodology. Provided below in Table ES-3 is a summary of the cost of service analysis.

Table ES-3
Summary of the Water Cost of Service Analysis ($000)

Description	Total	Metered	Unmetered	Public Fire Charges	Priv.Fire Charges
Projected Rate Revenues	$14,557	$9,640	$4,373	$426	$119
Allocated Revenue Requirement	14,557	9,169	4,707	622	59
Bal./(Deficiency) of Rates	$0	$371	($235)	($196)	$60
% Rate Change Before Re-Allocation	0.0%	(4.9%)	7.6%	46.1%	(50.5%)
± Re-Alloc. of Public Fire Costs	$0	$470	$152	($622)	$0
± Re-Distribution to Private Fire	$0	($40)	($20)	$0	$60
Total Alloc. Revenue Requirement	**$14,557**	**$9,599**	**$4,839**	**$0**	**$119**
Bal./(Defic.) of Funds	$0	$40	($466)	$426	$0
% Rate Adjustment	0.0%	(0.4%)	10.7%	(100.0%)	0.0%

In reviewing Table 3-3, the metered class of service includes all metered residential, business, public authority, and interdepartmental accounts. The unmetered class of service includes all unmetered residential, business, and public authority accounts.

Another important element of this study is public fire charges. At the present time, the Company charges the City of Missoula Fire Department on a per hydrant basis for public fire protection. A key change in the cost of service methodology developed herein is that the public fire protection-related costs are allocated to the Company's retail customer classes of service.

For the private fire protection class of service, it was determined that there would be no changes made to the private fire rates in this filing. Therefore, those costs that were under-allocated to the private fire class of service were re-allocated/credited back to the other retail classes of services. This results in a decrease in the overall costs to the metered and unmetered classes of service.

The cost of service indicated that metered water customers are slightly over-paying in comparison to their cost of service prior to the re-allocation of costs. After the allocation of the public fire related costs, and the credit of private fire protection revenues, the metered customers are slightly under paying by less then a percent. The unmetered customers are under-paying in comparison to their cost of service before and after the re-allocation of costs. Based upon the cost of service results it appears that unmetered customers may be below their cost of service by approximately 11%.

HDR believes that it is important to remember that a cost of service analysis looks at a specific point in time and that customer's usage patterns may change over time. This is a key point for discussion within the Company's analysis, as each year several hundred customers transition from the unmetered rate to the metered rate schedule. In addition, this is the first cost of service completed for the Company by HDR using the base/extra-capacity methodology. Included within this study is the change in methodology and approach to charging for public fire protection.

Consultant's Recommendation on Cost of Service

Based upon the results of the cost of service study, it is HDR's recommendation that the metered rates and private fire rates remain at current levels while the unmetered rates be adjusted to collect the balance of the revenue requirement. Table ES-4 provides a summary of the impacts of this recommendation.

Table ES-4
Summary of the Proposed Adjustments to Revenue Levels by Customer Class of Service ($000)

Class of Service	Present Rate Revenues	Proposed Rate Revenues	$ Change	% Change
Metered	$9,640	$9,640	$0	0.0%
Unmetered	4,373	4,799	426	9.7%
Public Fire Protection	426	0	(426)	(100.0%)
Private Fire Protection	119	119	0	0.0%
Total	$14,557	$14,557	$0	0.0%

With these recommendations, the unmetered class of service has moved very close to the cost of service results. Given that this is the first cost of service conducted for the Company using the base/extra-capacity method, it would seem prudent to evaluate the impact of the Company's rate design before proceeding with any further changes. Only over time, and through continual analysis, can one fully understand the true cost of providing service. Furthermore, it should also be noted that cost of service is only one criterion for setting rates and there are other reasons for maintaining the current rate setting philosophy (e.g., customer understanding, ease of administration, continuity in philosophy, etc.).

Summary of the Rate Design Analysis

The final step of the comprehensive rate study process is the design of rates to collect the overall revenue requirement. In designing rates two aspects are reviewed. The first is the structure of the rates and the second is the level of the rates. The structure of the rates refers to the method in which the rates are charged (i.e., fixed vs. variable, etc.) while the level of the rates refers to the total revenues collected through the rates. At this time, however, no changes have been proposed to the rate structure for the Company's customers. The only proposed changes are in the level of the rates for the unmetered customer class of service and the public fire charges being charged to the Company's customers. The Company will review the rate structures at a later time after the impacts of this rate change can be reviewed to determine if additional steps are needed to reflect changes in the customer's usage patterns or changes between the metered and unmetered customer groups.

Summary

The above discussion provides a brief summary of the overall approach, along with the findings and conclusions of the cost of service analysis performed for Company.

Section 1
Introduction and Overview of the Study

1.1 Introduction

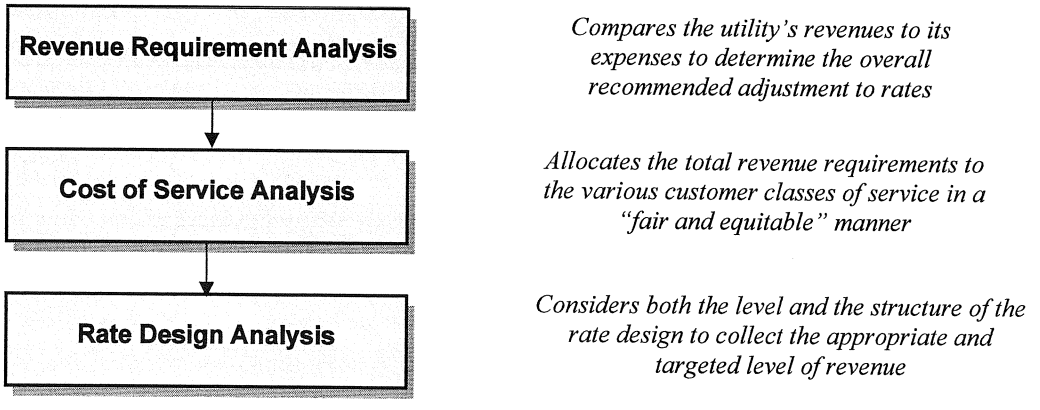
The Mountain Water Company (the "Company") retained HDR Engineering, Inc. (HDR) to conduct a comprehensive water cost of service study. A water cost of service study is intended to equitably allocate the Company's revenue requirements to the various types of customers being served. The results of the water cost of service provide the basis for developing equitable and cost-based water rates.

Determining water rates that are "fair and equitable" is a complex process. However, this process is guided by generally accepted methodologies which have been used within this analysis as a guide in developing the Company's rates. At the same time, there are often a number of financial principles or guidelines that must be taken into consideration during this process. Therefore, determining water rates which are "fair and equitable" is a marriage of these generally accepted methodologies and the prudent financial practices of the Company.

1.2 Overview of the Rate Study Process

Provided below in Figure 1-1 is an overview of the steps required to conduct a comprehensive water rate study.

Figure 1-1
Overview of the Comprehensive Water Rate Study



This study has focused primarily on the cost of service analysis. This narrative will generally follow the steps used to review the sufficiency of the Company's water rates.

1.3 Overview and Organization of Report

This report is organized such that it follows the steps taken in reviewing and analyzing the Company's rates. Section 2 discusses the development of the revenue requirement analysis undertaken for this study. Next, Section 3 discusses the cost of service analysis prepared for the Company and the results of that process. Finally, Section 4 provides a discussion of utilizing the cost of service results to design proposed rates.

A technical appendix is attached at the end of this report which details the various analyses that were used in the preparation of this report and is based on the current water cost of service model developed for the Company. These exhibits are referenced throughout the report and may be referred to for more detail and understanding on the topic.

1.4 Summary

This section of the report provides a brief overview of the organization of the report. The following section of the report provides a discussion of the development and results of the revenue requirement analysis.

Section 2
Development of the Revenue Requirements

2.1 Introduction

This section of the report discusses the development of the water revenue requirements for the Mountain Water Company (the "Company"). The results of the revenue requirement analysis will provide a framework around which to evaluate the adequacy of current rates. Provided below is a detailed discussion of the revenue requirements as independently developed by the Company.

2.2 Revenue Requirement Framework

By virtue of the differences between a public utility and a private utility, the revenue requirement is often based upon different elements or methodologies. Most private or regulated utilities utilize what is known as a "utility or accrual" basis of determining revenue requirements for setting rate levels. This convention calculates a utility's annual revenue requirement by aggregating a test period's operation and maintenance (O&M) expenses, taxes, depreciation expense and a return on investment.

"The results of this revenue requirement analysis provide a framework around which to evaluate the adequacy of current rates."

In contrast to the "utility or accrual" method of developing revenue requirements for privately-owned public utilities, a different method of determining annual revenue requirements is often used for governmental public utilities. The convention used by most governmental public utilities is called the "cash basis" of setting rates. As the name implies, a public utility aggregates its cash expenditures to determine its total revenue requirements for a specified period of time.

Table 2-1 may be helpful in summarizing and comparing the cash and utility basis methodologies.

Table 2-1
Cash vs. Utility Basis Comparison

Cash Basis		Utility (Accrual) Basis	
+	O&M Expenses	+	O&M Expenses
+	Taxes	+	Taxes
+	Capital Additions Financed with Rate Revenues (≥ Annual Deprec. Exp)	+	Annual Depreciation Expense
+	Debt Service (P+I)	+	Return on Investment
=	Revenue Requirement	=	Revenue Requirement

For this particular study, given that the Company is a regulated utility, the "utility/accrual basis" approach was utilized. This conforms to the rate setting methodology required by the Montana Public Service Commission (PSC). In addition, the revenue requirement, as used within this study, was established by the PSC.

2.3 Overview of the Revenue Requirement

As noted above, the revenue requirement used for this study was that adopted for the Company by the PSC for TY 2004. This portion of the report will discuss the basic components and results of the Company's revenue requirement analysis.

The initial step in calculating the revenue requirement was to establish a "test period" or time period around which the revenue requirement would be reviewed. For this particular study, the revenue requirement has been developed for the calendar year 2004 test period (TY 2004). From this historical period, pro-forma adjustments have been made for any "known and measurable" costs.

The second step is to determine a method of accumulating costs. As noted above, for the Company, a utility/accrual basis was utilized. Shown below in Table 2-2 is a summary overview of the "utility (accrual) basis" approach used to develop the water revenue requirement for the Company.

Table 2-2
Overview of the Company's "Utility (Accrual) Basis" Revenue Requirement

+	Operation and Maintenance Expenses.
	✓ Source of Supply
	✓ Pumping
	✓ Water Treatment
	✓ Transmission and Distribution
	✓ Clearings
	✓ Customer Accounts and Services
	✓ Administrative and General Expenses
–	Non Rate Revenues
+	Taxes
+	Depreciation Expense
+	Return on Rate Base (Net Non-Contributed Plant Investment)
=	Total Revenue Requirement

Given this basic framework, the test period revenue requirements were developed for the 2004 test period. The revenue requirement was based upon the historical revenues and expenses of the Company.

2.4 Summary of the Water Revenue Requirement

HDR was provided a copy of the Company's test period revenue requirement, as established by the PSC. As shown in Table 2-2, total revenue requirements are comprised of four (4) basic cost components. These components are O&M, taxes, depreciation expense, and return on rate base.

Operation and maintenance expenses were based on test year 2004 expenses with pro-forma adjustments included for "known and measurable" changes. For the 2004 test period, O&M expenses totaled $8.136 million. Net O&M expenses totaled $8.132 million when non-rate revenues were backed out. These non-rate revenues are backed out of the revenue requirement calculation so that the impact to rates can be reviewed.

The second component of the Company's revenue requirement is taxes. For the Company's revenue requirements, the taxes included State and Federal taxes, employment taxes, other revenue taxes, and property taxes. In total taxes were calculated to be $1.888 million for the test period (rate case) revenue requirement.

The third component in the development of the Company's revenue requirement is annual depreciation expense. Annual depreciation expense is based on the Company's non-contributed plant in service. For this test period (rate case), depreciation expense totaled $1.665 million.

The fourth and final component reviewed was the return on rate base. Rate base is calculated based on the Company's current net non-contributed assets, with additions for working cash, materials and supplies, and the unamortized acquisition adjustment, and deductions for advances for construction and deferred tax balances. It should be noted that the Company's rate base was calculated on an average year basis. Once the test year rate base has been determined, the next step is to calculate the rate of return. For the Company's analysis, the rate of return was calculated based on the weighted average cost of capital. For this calculation the average cost of debt and the return on equity were used to determine the appropriate rate of return. For TY 2004 the debt to equity ratio was based on a capital structure of 46% debt with and average cost of 8.5% and 54% equity with a return of 10%. Provided below in Table 2-3 is a summary of the rate of return calculation.

Table 2-3
Calculation of the Rate of Return

Item Description	Objective Ratio	Cost/Return	Weighted Cost Of Capital
Long-Term Debt	45.58%	8.54%	3.893%
Fund Equity	54.42%	10.0%	5.442%
Total	100.00%		9.335%

Total return on rate base is then calculated by taking the rate base and multiplying it by the calculated rate of return of 9.335%. For this test period (rate case), the return on rate base totaled $2.872 million.

These four (4) components are then combined to calculate the total revenue requirement for the Company's rate case. Provided below in Table 2-4 is a summary of the test period revenue requirement for the Company.

Table 2-4
Summary of Company's TY 2004 Revenue Requirements

Revenue Requirement Components	Test Year 2004
O&M Expenses	
Source of Supply	$122,746
Pumping	1,274,684
Water Treatment	165,527
Transmission and Distribution	1,291,837
Clearings	324,658
Customer Accounts and Service	870,630
Administrative & General Expenses	4,086,735
Total O&M Expenses before Taxes and Transfers	$8,136,818
Less: Miscellaneous Revenues	$4,654
Plus: Taxes	$1,888,077
Total O&M Expenses	$10,020,241
Plus: Return on Rate Base	$2,871,568
Plus: Depreciation Expense	1,665,414
Total Additions	$4,536,982
Total Revenue Required From Rates	**$14,557,222**

The above revenue requirement is utilized within the cost of service study and will be allocated to the customers of the Company's water system.

2.5 Summary

This section of the report has provided a summary of the water revenue requirement as developed by the Company. This revenue requirement becomes the starting point for the water cost of service analysis. The next section of the report will discuss the development of the water cost of service analysis.

Section 3
Development of the Cost of Service Analysis

3.1 Introduction

In the previous section of the report, the revenue requirement analysis for the Company was reviewed. The development of the revenue requirement considers the overall level of revenues and expenses for the Company. In contrast, a cost of service analysis equitably allocates the test period revenue requirements to the various types of customers served by the utility.

The cost of service analysis, as developed for the Company, conforms to generally accepted cost of service principles and utilizes the base-extra capacity methodology, which is a generally accepted methodology of the American Water Works Association (AWWA).[1] This section of the report will focus upon the development of the water cost of service study for the Company.

3.2 Objectives of a Cost of Service Study

The objectives of a cost of service study are different from those of determining the revenue requirement for the Company. The purpose of the revenue requirement analysis is to compare the operating revenues to the operating and capital expenses of the Company to determine an overall adjustment to rates. In contrast, a water cost of service analysis is concerned with the equitable allocation of the total revenue requirement to each of the customer classes of service and determines unit costs for rate design. The second rationale for conducting a cost of service study is to ensure that a rate's base, extra-capacity, and customer-related charges reflect the costs incurred by the water system. The cost of service analysis performed herein separates costs by base, extra-capacity, and customer-related cost components to fulfill this requirement.

3.3 Customer Classes of Service

One of the first steps in the cost of service analysis is to determine the appropriate customer classes of service to review. Customers are typically placed into groups with other "like customers" having similar usage characteristics. The Company currently has a rate schedule for its metered customers and its unmetered (flat rate) customers. For the Company's water cost of service analysis, the main objective was to equitably allocate costs to the Company's four (4) customer classes of service (rate tariffs) The Company's four customer classes of service (rate tariffs) are as follows:

- Metered
- Unmetered (Flat)
- Private Fire Protection
- Public Fire Protection

[1] American Water Works Association, Principles of Water Rates, Fees and Charges (AWWA M1). Denver, Colorado: Fifth Edition, 2000.

While these four classes of service currently match the Company's rate tariffs (schedules), the cost of service also examined the customer classes of service in more detail. For both the metered and unmetered[2] classes of service, costs were allocated to residential, business, public authority and irrigation customers. While the cost of service has provided added detail and allocated costs to different classes of service than the Company's current rate tariffs, as will be seen, the results by class of service can be combined to match the Company's current rate tariffs.

3.4 Overview of the Cost of Service Procedures

A water cost of service study performs three basic analytical tasks with the cost data. These basic analytical tasks are typically referred to as:

- Functionalization
- Classification, and
- Allocation

Each of these analytical tasks is described in more detail below.

The water cost of service analysis conducted for the Company performed these three basic functions with Company's asset and expense data. These are described in more detail below.

3.4.1 Functionalization of Costs

The first analytical task performed with the water cost data is called functionalization. Functionalization is the arrangement of expense and asset data by major functions that are related to the activities performed in the operation of the utility system, e.g., source of supply, transmission, distribution, etc. Functionalization is largely accomplished through the adherence to a uniform system of accounts. Within this study, the functionalization of assets and expenses was accomplished through the Company's existing system of accounts.

3.4.2 Classification of Costs

Terminology of a Water Cost of Service Analysis

FUNCTIONALIZATION – The arrangement of the cost data by functional category (e.g. source of supply, treatment, etc.).

CLASSIFICATION – The assignment of functionalized costs to cost components (e.g. base, extra capacity, customer and fire protection related).

ALLOCATION – Allocating the classified costs to each class of service based upon each class's proportional contribution to that specific cost component.

BASE COSTS – Costs that are classified as base related vary with the total flow of water and are related to average day use (e.g. chemical use at a treatment plant).

EXTRA-CAPACITY COSTS – Costs related to meeting demands over and above average (base) demands. These costs may vary with peak day or peak hour usage. Facilities are often designed and sized around meeting extra-capacity demands.

FIRE PROTECTION COSTS - Costs that are related to public fire protection services (e.g. hydrants).

CUSTOMER COSTS – Costs classified as customer related vary with the number of customers on the system, e.g. metering costs.

DIRECT ASSIGNMENT – Costs that can be clearly identified as belonging to a specific customer or group of customers.

CUSTOMER GROUPS – The grouping of customers into similar groups based upon usage characteristics and/or facility requirements.

[2] The Company's metered tariffs do not differentiate customers by type of use (e.g. residential, commercial, industrial, public authority, etc.; however, the flat rate tariff schedule does set forth for rates by type of service being provided.

The second task performed within a water cost of service analysis is the classification of the functionalized expenses to cost components. A water utility incurs various types of costs to deliver water to their customers. Under the base extra-capacity methodology the cost components typically consist of base-related, extra-capacity-related, customer-related, and fire protection-related cost components. The following narrative gives a brief description of each of these cost components.

1. Base-Related Costs

Base costs are those costs that tend to vary with the total quantity of water consumed and operation at average load (demand) conditions. Base costs are generally specified for a period of time such as a month or a year. For example, the chemicals used in the treatment of raw water are considered a base-related cost since these costs generally vary with the total volume of water consumed (treated).

2. Extra-Capacity Related Costs

Extra-capacity costs are those costs, over and above average demand, that vary with meeting maximum demand requirements of the customers. Extra-capacity may be defined by the peak period event, but is generally defined as extra-capacity peak day. Extra-capacity costs are generally related to the sizing of facilities that are required to meet a customer's maximum demand at any point in time.

3. Customer-Related Costs

Customer costs are those costs that vary with the number of customers connected to the water system. Customer related costs do not vary with system output levels. These costs are sometimes referred to as "readiness to serve" or "availability" costs. Customer costs are sometimes further classified between the actual number of customers, number of meters, or number of equivalent meters. Actual customer costs vary proportionally with the addition or deletion of a customer regardless of the size or consumption characteristics of the customer. In contrast to this, the costs associated with the number of meters or equivalent meters will vary on a per customer basis, based upon the size of the customer's meter.

4. Fire Protection-Related Costs

As the name implies, fire protection costs are those costs related to providing the necessary facilities for an adequate public/private fire protection function. Fire protection costs are further subcategorized between direct and indirect. Direct fire protection costs can be clearly identified as being either public or private fire protection related. Indirect fire costs are common and joint costs (e.g., over-sizing of storage) that must be allocated between public and private fire protection.

5. Specific Costs/Direct Assignments

Certain costs associated with operating the utility may be directly traced to a specific customer or class of service. In this case, these costs are then "directly assigned" to that specific class of service.

3.4.3 Allocation of Costs

The third and final analytical task performed within the cost of service analysis is the allocation of classified costs to each class of service. The allocation process is performed after the classification of the test period's data is completed. The various classification totals are allocated among the customer classes of service based upon their level of contribution to the specific cost, or level of responsibility. Ultimately, costs should be allocated in the most equitable manner possible. As an example, base-related costs are generally allocated in a manner that reflects the total water consumption of each class of service.

A more detailed discussion of the specific methodology and assumptions used in the Company's cost of service analysis is provided below.

3.5 Overview of Company's Cost of Service Analysis

The above discussion provided a general overview of the methodology used to develop a comprehensive water cost of service study. Discussed below are the specific steps taken and key assumptions of the study developed for the Company.

3.5.1 Functionalization of Rate Base and Expenses

Functionalization is the arrangement of plant and expense data into the major categories of service or use (e.g., source of supply, transmission and distribution, pumping, etc.). This task was accomplished through the Company's system of accounts following the 1976 NARUC Uniform System of Accounts For Class A and B Water Utilities

Rate base was established by the PSC in its final order in this docket and is based on an average year basis. The expenses used within the cost of service were similarly established by the PSC in its final order in the docket.

3.5.2 Classification of Rate Base and Expenses

Functionalized rate base and expenses were classified to the various cost components (e.g. base, extra-capacity, etc.). This classification process relied upon generally accepted cost of service techniques along with an operational and engineering design perspective to determine the appropriate classification. In the development of the Company's cost of service analysis, HDR determined the classification of rate base based upon an operational perspective of how the Company's system is utilized or operates (i.e. average day to peak day use). Provided below in Table 3-1 is a summary of the classification process for the major water rate base (plant in service) items.

Table 3-1
Summary of the Classification of Water Plant in Service (Rate Base)

Plant Component	Base	Extra Capacity	Customer	Fire Protection	Revenue Related	Direct Assign.
Source of Supply Plant	X	X	–	–	–	–
Pumping Plant	X	X	–	–	–	–
Treatment Plant	X	X	–	–	–	–
Trans./Distribution Plant						
Land/Land Rights	X	X	–	–	–	–
Structures/Improvements	X	X	–	–	–	–
Reservoirs	X	X	–	–	–	–
Mains	X	X	–	–	–	–
Services/Meters	–	–	X	–	–	–
Hydrants	–	–	–	X	–	–
General Plant	X	X	X	–	–	–

The above table is a simplification of the rate base classification. A more detailed exhibit of the classification of rate base can be found in the Technical Appendix on Exhibit 6. As will be noted in the more detailed exhibits, additional categories for classification are actually used in the overall process. These additional classification categories are used to fairly allocate costs and better reflect the specific reasons that costs are incurred. For example, within this cost of service analysis, care was taken to assure that the cost of meters were not allocated to the unmetered customers, or those customers that do not benefit from or have meters.

In classifying the various plant components, consideration was given to the operational and engineering design perspective of each component. For a majority of the plant accounts reviewed, the relationship of average day (base) to peak day (extra capacity) was the basis for the percentage classifications between these various components.

Given the classification of rate base, the focus shifted to the classification of the expenses (revenue requirement). The O&M expenses used within the cost of service were based upon the pro forma 2004 test period. The general process in a cost of service analysis is to classify the expenses in the same manner as the corresponding assets. For example, treatment related expenses would be classified in a manner consistent with treatment related assets. Provided below in Table 3-2 is a summary of the classification of the expenses.

Table 3-2
Summary of the Classification of Water Expenses (Revenue Requirements)

Expense Component	Base	Extra Capacity	Customer	Fire Protect.	Revenue Related	Direct Assign.
Source of Supply Expenses	X	X	–	–	–	–
Pumping Expenses –						
Fuel/Power for Pumping	X	–	–	–	–	–
All Other Pumping Exp.	X	X	–	–	–	–
Treatment Expenses –						
Chemicals	X	–	–	–	–	–
All Other Treat. Exp.	X	X	–	–	–	–
Trans./Distribution Plant						
Mains	X	X	–	–	–	–
Maint.; Services/Meters	–	–	X	–	–	–
Maint.; Reserv./Standpipes	X	X	–	–	–	–
Maint.; Firemains/Hydrants	–	–	–	X	–	–
Customer Accounts Exp.	–	–	X	–	–	–
Clearings	X	X	X	X	–	–
Admin. and General Expenses	X	X	X	X		
Taxes	X	X	X	X	X	–

The above table is a summary of the more detailed classification process undertaken for expenses. Detailed exhibits of the classification of the test period expenses can be found in the Technical Appendix on Exhibit 8.

3.5.3 Allocation of Rate Base and Expenses

Once the classification of rate base and expenses is complete, the various classified costs are then allocated to each class of service. Given the previously discussed classes of service, an allocation factor for each of the cost classifiers can be developed. A discussion of the methods used to allocate these classified costs follows.

Base Allocation Factor - Base costs were allocated to the various customer classes of service using the most recent five-year average to determine TY 2004 water consumption. For those customers that are not metered, annual water sales information was projected based on the usage of the same metered class of service.[3] For example, the residential metered average annual use by customers was used to project the residential unmetered customer's consumption. It is important to note that in addition to using the average metered consumption as a starting point for estimating the unmetered consumption, the metered average consumption was increased by an estimated factor (percentage) to reflect the fact that under similar conditions, average use for an unmetered customer is typically found to be significantly higher than the average use of a similarly metered customer. To determine whether the estimated consumption of the unmetered customers was reasonable, the total consumption of the metered and unmetered

[3] As of test year 2004, an average of, 13,523 customers or 66% were metered and 7,033 customers or 34% were unmetered.

customers was added together, and this amount, adjusted for unaccounted for water, was compared to the Company's total water production. By developing this simple comparison, HDR is of the opinion that absent any better data and information on the Company's unmetered customers, the volumes assumed for unmetered customers is reasonable for purposes of this study. Once the metered and unmetered volumes were determined, they were used as the basis for developing the base allocation factor.

EXTRA CAPACITY – MAX DAY ALLOCATION FACTOR – The extra capacity – max day allocation factor was developed based upon the difference between average day use and peak day use for each class of service.[4] Similar to the base allocation factor, the average monthly consumption for those customers which are not metered was assumed to be the same as the metered customers. Peak day use, by class of service was estimated using peaking factors for each class of service. As is the case for most water utilities, the Company does not have specific data on the peak day contributions of the different classes of service. Given that, the peaking factor for each class of service was estimated based upon the relationship of metered peak month use to average metered month use. The calculated peak day contribution for each class of service was then summed and compared to the historical Company peak day data to confirm the reasonableness of the assumed peaking factors. Absent Company specific data on peaking factors by class of service, the use of peak month use to average month use is, in the opinion of HDR, a reasonable surrogate for establishing peaking factors within this study.

Customer Allocation Factors – Three customer allocation factors were developed as a part of this study. Customer related costs were classified between actual customers, weighted customer accounting and weighted meters. The actual customer allocation factor was based on the actual number of customers in each class of service. The allocation factor for weighted for customer accounting was based on the number of customers and a weighting factor for each class of service. However, at this time there is no assumed differential between any of the customer classes of service. If at some point in the future accounting differences do exist between customer classes of service the Company will have the ability to equitably allocate those costs as appropriate. The final customer related allocation factor is the weighted meters. As the name implies, the factor is related to those assets/expenses that vary with installation of a meter. This factor is then developed based on the average weighted cost of the current meters in place and the current replacement cost by meter size. It should be noted that no meter costs are allocated to unmetered customers in this process.

Fire Protection Allocation Factor – The development of the allocation factor for fire protection expenses involved an analysis of each class of service and their fire flow requirements. The analysis took into account the gallon per minute flow requirements in the event of a fire, along with the duration of the required flow. The fire flow rates used within the allocation factor were based upon information provided by the Company. For this study, it has been assumed that minimum fire flow requirements for a residential customer is 1,000 gallons per minute (gpm), 2,000 gpm for businesses, and 4,000 gpm for public authority. Irrigation customers were not allocated public fire protection costs. The minimum fire flow requirements are then multiplied

[4] The "base/extra-capacity methodology often utilizes an extra-capacity max–day and max–hour classifiers. Given the limited data for Mountain Water, it was determined that an extra-capacity max-hour classification was not feasible. Those costs that would have been classified between max-day and max-hour demands were simply classified as max-day within this study. The absence of this data is common among water utilities.

by the number of customers in each class of service, and the assumed duration of the fire, to determine the class's prorated fire flow requirements. This factor was used to allocate the public fire protection related costs to the customer classes reviewed in the cost of service study. Private fire protection costs were allocated directly to the private fire class of service.

Given the development of the allocation factors, the final step of the cost of service is to allocate the costs to the various customer classes of service and summarize the results. A more detailed description of the allocated rate base, expenses, and allocation factors can be found in the Technical Appendix.

3.6 Cost of Service Results

The test period revenue requirement was classified into the various cost components. The classification and allocation process was based upon generally accepted cost of service techniques. The individual classification totals were then allocated among the customer classes of service based upon the appropriate allocation factors. The allocated expenses for each class were aggregated to determine each class's revenue responsibility. A summary of each class's allocation of the total revenue requirement, and corresponding percentage change from proposed stipulated revenues is provided in Table 3-3.

Table 3-3
Summary of the Water Cost of Service Analysis ($000)

Description	Total	Metered	Unmetered	Public Fire Charges	Priv.Fire Charges
Projected Rate Revenues	$14,557	$9,640	$4,373	$426	$119
Allocated Revenue Requirement	14,557	9,169	4,707	622	59
Bal./(Deficiency) of Rates	$0	$371	($235)	($196)	$60
% Rate Change Before Re-Allocation	0.0%	(4.9%)	7.6%	46.1%	(50.5%)
± Re-Alloc. of Public Fire Costs	$0	$470	$152	($622)	$0
± Re-Distribution to Private Fire	$0	($40)	($20)	$0	$60
Total Alloc. Revenue Requirement	**$14,557**	**$9,599**	**$4,839**	**$0**	**$119**
Bal./(Defic.) of Funds	$0	$40	($466)	$426	$0
% Rate Adjustment	0.0%	(0.4%)	10.7%	(100.0%)	0.0%

In reviewing Table 3-3, the metered class of service includes all metered residential, business, public authority, and interdepartmental accounts. The unmetered class of service includes all unmetered residential, business, and public authority accounts.

Another important element of this study is public fire charges. At the present time, the Company charges the City of Missoula on a per hydrant basis for public fire protection. The cost of service analysis presented here used only direct charges and did not include any costs associated with the over sizing of mains or reservoirs related to fire protection. The results indicated that the present hydrant charges were under-collecting compared to the cost of service results. Given that, the costs allocated to public fire protection were re-allocated to the other customer classes of service on the basis of the public fire protection requirements by class of service. This re-allocation of public fire protection costs zeroed out public fire protection and equitably allocated the costs to

metered and unmetered customers. It should be noted that this approach to the allocation and collection of public fire protection costs is very common within the water utility industry.

For the private fire protection class of service, it was determined that there would be no changes made to the private fire rates in this filing. As a result, the revenues for this class would be credited back to the other classes of service as to not over collect the revenue requirement. This provides a decrease in the overall allocated costs to the metered and unmetered classes of service.

In summary, the cost of service indicated that cost differences do appear to exist between the customer classes of service. It appears that metered water customers are at or near their cost of service while unmetered customers are significantly under-paying in comparison to their cost of service.

HDR believes that it is important to remember that a cost of service analysis reviews a specific point in time and that customer usage patterns may change over time. This is a key point for discussion within the Company's analysis, as each year several hundred customers transition from the unmetered rate to the metered rate schedule. In addition, this is the first cost of service completed for the Company by HDR using the base/extra-capacity methodology. Included within this methodology and the results is the change in approach for charging the Company's customers for public fire protection related services rather then the City of Missoula.

3.7 Consultant's Recommendation on Cost of Service

Based on the above discussed observations it is the opinion of HDR that selected cost of service adjustments be made at this time. It is HDR's recommendation that the metered rates and private fire protection rates remain at current levels while the unmetered rates be adjusted to collect the balance of the revenue requirement. This change is recommended based on the current analysis as well as a review of previous cost of service studies performed by the Company which also show the need for unmetered customers to be adjusted greater then the overall rate adjustment. Table 3-4 provides a summary of the proposed adjustments to the revenue levels of each class of service.

Table 3-4
Summary of the Proposed Adjustments to Revenue Levels by Customer Class of Service ($000)

Class of Service	Present Rate Revenues	Proposed Rate Revenues	$ Change	% Change
Metered	$9,640	$9,640	$0	0.0%
Unmetered	4,373	4,799	426	9.7%
Public Fire Protection	426	0	(426)	(100.0%)
Private Fire Protection	119	119	0	0.0%
Total	$14,557	$14,557	$0	0.0%

With these recommendations, the unmetered class of service has moved very close to the cost of service results shown in Table 3-3. Given that this is the first cost of service conducted for the Company using the base/extra-capacity method, it would seem prudent to evaluate the Company's rate design before proceeding with any further changes. Only over time, and through continual analysis, can one fully understand the true cost of providing service. Furthermore, it should also be noted that cost of service is only one criterion for setting rates and there are other reasons for maintaining the current rate setting philosophy (e.g., customer understanding, ease of administration, continuity in philosophy, etc.).

3.8 Summary

This section of the report discussed the development of the cost of service analysis, and the findings, conclusions and recommendations. Given the recommendations of this section of the report, the next step of the study is to review the process of developing water rates

Section 4
Development of Water Rate Designs

4.1 Introduction

The development of rate designs is the final step of a comprehensive rate study process. This section of the report will discuss the process of utilizing the cost of service results and developing water rates.

4.2 Rate Design Criteria and Considerations

Prudent rate administration dictates that several criteria must be considered in setting rates. These criteria may include:

- Continuity of ratemaking philosophy
- Policy considerations
- Conservation potential/efficient use
- Ability to pay
- Revenue stability
- Ease in understanding and administering
- Cost-based rates (cost of service)

The above list of rate design criteria should always be considered when rates are being developed. In most cases, cost of service will be the main focus or criteria that should be used to set rates. However, as noted above, it is only one criterion. In addition, by attempting to set rates equal to price, customers will receive bills that more closely reflect the costs they impose on the Company.

4.3 Rate Level Versus Structure

In designing rates, two technical aspects are taken into account – level and structure. *Level* refers to the amount of revenue to be collected from a specific rate design (i.e., the rate design is intended to collect $2.0 million over a 12 month period). In contrast, *structure* refers to the way in which the $2.0 million is collected from the customers. The structure considers how the customer is charged for their use (fixed versus variable charges).

4.4 Overview of Water Rate Structures

There are various generally accepted rate structures that can be used to establish or develop rates. The initial starting point in considering a rate structure is the relationship between fixed costs and variable costs. Fixed costs are generally collected as a fixed charge on a monthly basis (e.g., $20.00 per month/meter). This charge may be called by various names (e.g., customer charge, meter charge, readiness to serve charge, etc.), but in all cases, it is intended to collect those fixed

costs that the utility incurs, regardless of the customer's level of consumption. The most basic form of a fixed fee is a flat monthly customer charge. While the charge is a fixed cost, it may also vary and increase by meter size. The rate at which the meter charge increases is usually a function of the meter capacity. Provided below in Table 4-1 is the generally accepted approach used to establish fixed meter charges based upon the safe operating capacity of the meter for 3/4" meter through an 8" meter. In this example, it assumes a $20.00/month charge for a 3/4" meter.

Table 4-1
Example of the Development of Fixed Meter Charges Based Upon Meter Capacity

Meter Size	Safe Maximum Oper. Capacity GPM [1]	Capacity Meter Weights	Meter Charges at Capacity Weightings
3/4"	30	1.00	$20.00/month
1"	50	1.67	33.33
1-1/2"	100	3.33	66.67
2"	160	5.33	106.67
3"	300	10.00	200.00
4"	500	16.67	333.33
6"	1,000	33.33	666.67
8"	1,600	53.33	1,066.67

[1] AWWA C-700-77 Cold Water Meters - Displacement Type

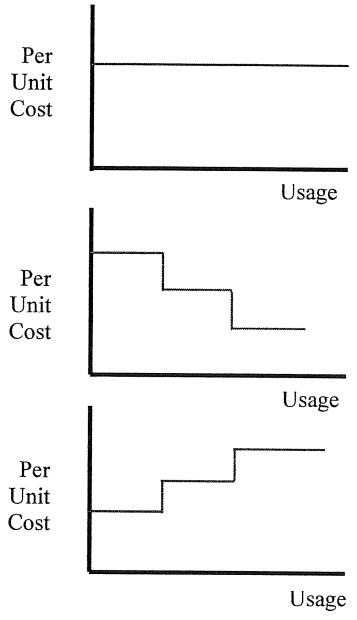
As Table 4-1 indicates, the fixed meter charge increases in relationship to the safe operating capacity of the various meter sizes.

"In reviewing water rate designs, consideration is given to the level of the rates and the structure of the rates."

While it was noted that there are different approaches that can be used to collect fixed charges, the same can also be said for variable or volumetric charges. Variable charges are generally based upon metered consumption and charged on a $/unit cost. The unit of measurement may vary (e.g., cubic feet, thousands of gallons, etc.), but it is not a critical element in the development of the rates. This is because the charge per unit is simply adjusted to reflect the units of measurement being used. In other words, if you are charging $2.00 per 1,000 gallons, and wanted to charge on a per gallon basis, the rate would be 0.2¢/gallon. It is the structure of the variable charges where numerous options exist.

There are three basic rate structures for variable charges; a uniform charge, a declining block charge and an inverted block charge. Table 4-2 provides an overview of each of these variable charge rate structures.

Table 4-2
Overview of the Various Variable Charge Rate Structures



UNIFORM RATE STRUCTURE
The cost per unit of consumption under a uniform rate structure does not increase or decrease with additional units of consumption

DECLINING BLOCK RATE STRUCTURE
The cost per unit of consumption under a declining block rate structure decreases with additional units of consumption

INVERTED BLOCK RATE STRUCTURE
The cost per unit of consumption under an inverted block rate structure increases with additional units of consumption

As can be seen from Table 4-2, the basic philosophy of each of these variable charge rate structures varies significantly. Under a uniform rate structure, the cost per unit does not change with consumption. From the perspective of customer understanding and rate administration/billing, this is a simple and straightforward approach. In contrast, the declining block rate structure is a bit more complex. The number of blocks (e.g., 3 stepped blocks) and size of the blocks (e.g., 0 – 10 CCF) may vary. However, the number of blocks should be reasonable (i.e., 2 – 4 blocks) for reasons of simplicity and administration. Declining block rates may imply that there are certain economies of scale with additional consumption, and not necessarily a "volume discount." Depending upon the utility, this may or may not be a true statement. Finally, an inverted block rate structure attempts to send a price signal to consumers that their consumption costs more, as more water is consumed. This may or may not be the proper price signal regarding the utility's water resource costs. As with the declining block rate structure, the number and size of each block may vary, but should be reasonable for purposes of customer understanding and rate administration.

The rate structure concepts noted above may be combined and used to form various rate design options that meet the Company's needs. However, at the same time, the Company must understand its overall goals and objectives in designing rates.

4.5 Summary of the Cost of Service Rates

At this time the Company is not proposing any changes in its current rate structures and classes of service. The Company has a single tariff structure for metered service that does not

differentiate customers by type of use (e.g. residential, commercial, industrial, public authority, etc. The flat rate tariff schedule does set forth rates by type of service being provided, including a separate schedule for private fire lines.

The only proposed changes are to the level of revenues collected from the unmetered customers and the change in billing for the public fire related costs. Other then these two adjustments, no additional changes are being requested in this rate case. The Company will review the impacts of these adjustments and determine if additional adjustments are necessary to the current rate structures at a later date.

4.6 Summary

The development of final proposed rates culminates the rate setting process. In establishing the final rates, the Company will utilize the results of the cost of service study, along with the Company's rate design goals and objectives. This section of the report has provided a brief discussion of some of the concepts that may be used by the Company to develop their proposed rates.

Technical Appendix

Mountain Water Company
Water Exhibit 1
Determination of TY 2004 O&M Expenses

Account Number	Description	Test Period 2004 [1]
	Operating and Maintenance Expense	
	Source of Supply Expense	
600	Operation Supervision and Eng	$3,793
601	Operation Labor & Expenses	24,802
602	Purchased Water	0
603	Miscellaneous	40,232
604	Rents	1,200
610	Maint Supervision & Engineering	68
611	Maint of Struct & Improv	45,869
612	Maint of Collect & Impound Res.	0
613	Maint of Lakes and Other Intakes	4,141
614	Maint of Wells	0
616	Maint of Supply Mains	2,642
617	Maint of Misc Sources	0
	Total Source of Supply Expense	**$122,746**
	Pumping Expense	
622	Power Production Labor & Exp	$2,717
623	Fuel or Power Purch for Pumping	935,899
624	Pumping Labor & Expenses	61,165
626	Miscellaneous Expenses	30,151
630	Maint Supervision & Engineering	57,466
631	Maint of Struct & Improv	50,421
632	Maint of Power Production Equip	55,890
633	Maint of Pumping Equip	80,977
	Total Pumping Expense	**$1,274,684**
	Water Treatment Expense	
640	Operation Supervision & Engin.	$0
641	Chemicals	42,415
642	Operation Labor & Expenses	99,101
643	Miscellaneous	0
650	Maint Supervision & Engineering	0
651	Maint of Struct & Improve	4,433
652	Maint of Equipment	19,579
	Total Water Treatment Expense	**$165,527**
	Transmission & Distribution Expense	
660	Oper Supervision & Engineering	$229,152
661	Storage Facilities Expenses	51,417
662	Trans & Dist Lines Expense	119,863
663	Meter Expenses	29,619
664	Customer Installation Expenses	144,682
665	Miscellaneous Expenses	133,574
670	Maint Supervision & Engineering	0
671	Maint of Streets & Improv	0
672	Maint of Dist Reser & Standpipes	31,534
673	Maint of Trans & Dist Mains	470,403
674	Maint of Fire Mains	476
675	Maintenance of Service Lines	0
676	Maintenance of Meters	27,064
677	Maintenance of Hydrants	49,356
678	Maint of Misc Plant	4,696
	Total Transmission & Distribution Expense	**$1,291,837**

Mountain Water Company
Water Exhibit 1
Determination of TY 2004 O&M Expenses

Account Number	Description	Test Period 2004 [1]
	Clearings	
963	Stores Clearings	$53,947
964	Transportation Clearings	235,482
965	Tools & Equip. Clearings	35,229
	Total Clearings	**$324,658**
	Customer Accounts & Service Expense	
901	Supervision	$51,691
902	Meter Reading Expense	76,561
903	Customer Records & Collect Exp	428,236
904	Uncollectible Accounts	58,077
905	Misc. Customer Accounts Exp	43,712
907	Customer Service & Info Exp	52,416
910	Sales Promotion Expense	0
934	Allocated Data Processing Exp	0
	Total Customer Accounts & Service Expense	**$710,693**
	Admin. & General Expense	
920	Admin & General Salaries	$478,387
921	Office Supplies & Other Expense	254,095
922	Admin Expense Transferred	(239,593)
923	Outside Services Employed	158,848
925	Injuries and Damages	635,958
926	Employee Pensions & Benefits	1,137,264
928	Regulatory Commission Expense	5,977
930	Misc General Expenses	47,004
932	Maintenance of General Plant	87,305
933	Allocated Main Office - A&G Exp	1,681,428
	Total Admin. & General Expense	**$4,246,672**
	Revenue Taxes & Connection Fees	
408	MT Consumer Counsel	$18,930
408	PSC	40,773
408	Other Taxes	40,177
	Total Revenue Taxes & Connection Fees	**$99,880**
408	Real & Personal Property	$757,765
	Total Property Taxes	**$757,765**
408	F.I.C.A; Medicare	$184,684
408	F.U.T.A	2,774
408	S.U.I; Other Payroll	8,217
408	Recharge to CWIP	(13,084)
	Total Employment Taxes	**$182,591**
	Total Taxes Other Than Income	**$1,040,235**
409	Federal Tax Expense	$896,035
409	State Tax Expense	(48,193)
	Total Total Taxes Other Than Income	**$847,842**
	Total Operating & Maintenance Expense	**$10,024,895**

Note: [1] Includes Pro Forma Adj.

Exhibit JK-1

Mountain Water Company
Water Exhibit 2
Data Inputs
TY 2004 Plant in Service

Acct. No.	Description	Balance 31-Dec-04 Per Books (Column 1)	Balance 31- Dec-04 Per Books (Column2)	Average 2004	ProForma Adjustments	Test Period Plant in Service 2004 [1]
	Intangible Plant					
30300	Misc. Intangible Plant	$45,644	$43,126	$44,385	($44,385)	$0
	Total Intangible Plant	$45,644	$43,126	$44,385	($44,385)	$0
	Source of Supply Plant					
31000	Source of Supply Land & Land Rights	$308,789	$308,789	$308,789		$308,789
31100	S/S Structures & Improvement	397,004	604,039	500,522		500,522
31200	Reservoir-Collection/Imp	135,491	135,491	135,491		135,491
31400	Wells & Springs	260,383	297,060	278,722		278,722
31600	Supply Mains	505,514	505,514	505,514		505,514
	Total Source of Supply Plant	$1,607,182	$1,850,893	$1,729,038	$0	$1,729,038
	Pumping Plant					
32000	Pumping Land & Land Rights	$90,529	$90,529	$90,529		$90,529
32100	Pumping Structures & Improvement	1,493,129	1,492,949	1,493,039		1,493,039
32300	Other Power Production	817,606	824,727	821,166		821,166
32500	Electric Pumping Equip	2,680,830	2,811,805	2,746,318		2,746,318
32800	Other Pumping Equipment	108,399	108,399	108,399		108,399
	Total Pumping Plant	$5,190,493	$5,328,409	$5,259,451	$0	$5,259,451
	Treatment Plant					
33100	Treatment Structures & Improvement	$428,930	$429,421	$429,175		$429,175
33200	Water Treatement Equip	181,005	190,154	185,580		185,580
	Total Treatment Plant	$609,935	$619,575	$614,755	$0	$614,755
	Transmission & Distribution Plant					
34000	T & D Land Rights	$43,828	$43,828	$43,828		$43,828
34010	T & D Land-Non Depreciable	251,268	251,268	251,268		251,268
34100	T & D Structures & Improvement	113,457	463,387	288,422		288,422
34200	T & D Reservoir & Standpipes	3,589,491	4,018,963	3,804,227		3,804,227
34300	T & D Mains	33,401,049	37,264,802	35,332,926		35,332,926
34500	T & D Services	146,621	146,621	146,621		146,621
34600	Meters	2,003,938	2,283,233	2,143,585		2,143,585
34700	Meter Installations	1,156,887	1,235,232	1,196,060		1,196,060
34800	Hydrants	2,860,653	3,213,765	3,037,209		3,037,209
	Total Transmission & Distribution Plant	$43,567,191	$48,921,099	$46,244,146	$0	$46,244,146
	Total Plant Before General Plant	$51,020,445	$56,763,102	$53,891,775	($44,385)	$53,847,390
38900	Total General Plant Land & Land Rights	$204,000	$204,000	$204,000		$204,000
	General Plant					
39000	General Plant Structures & Improvement	$1,878,173	$1,908,457	$1,893,315		$1,893,315
39100	Office Furniture & Equip	192,406	193,291	192,848		192,848
39200	Transportation Equipment	734,924	750,900	742,912		742,912
39400	Tools & Work Equipment	286,287	323,195	304,741		304,741
39500	Laboratory Equipment	10,844	12,990	11,917		11,917
39600	Power Operated Equipment	18,542	18,542	18,542		18,542
39700	Communications Equipment	251,101	287,612	269,357		269,357
39710	Telemetry Equipment	1,819,357	1,905,710	1,862,534		1,862,534
39800	Computer Equipment	548,591	611,653	580,122		580,122
39900	Misc Tangible Plant	6,000	6,000	6,000		6,000
	Total General Plant	$5,746,225	$6,018,350	$5,882,288	$0	$5,882,288
	Total Plant in Service	**$56,970,671**	**$62,985,452**	**$59,978,063**	**($44,385)**	**$59,933,678**
11400	Utility Plant Acquisition Adjustment	$505,475	$467,735	$486,605	$0	$486,605

Note: *[1] Gross Plant in Service*

Exhibit JK-1

Mountain Water Company
Water Exhibit 3
Summary of Annual Depreciation, Depletion, & Amortization

Account Number	Description	Recorded Expense	ProForma Adjustments	TY 2004 [1]
	Source of Supply Plant			
31100	S/S Structures & Improvement	$10,235	$5,793	$16,028
31200	Reservoir-Collection/Imp	2,845	(26)	2,819
31400	Wells & Springs	6,874	734	7,608
31600	Supply Mains	11,222	(790)	10,432
	Total Source of Supply Plant	$31,176	$5,711	$36,887
	Pumping Plant			
32100	Pumping Structures & Improvement	$35,306	$1,072	$36,378
32300	Other Power Production	30,816	196	31,012
32500	Electric Pumping Equip	103,480	3,408	106,888
32800	Other Pumping Equipment	2,699	(634)	2,065
	Total Pumping Plant	$172,301	$4,042	$176,343
	Treatment Plant			
33100	Treatment Structures & Improvement	$13,741	($609)	$13,132
33200	Water Treatement Equip	4,435	2,407	6,842
	Total Treatment Plant	$18,176	$1,798	$19,974
	Transmission & Distribution Plant			
34000	T & D Land Rights	$1,083	($27)	$1,056
34100	T & D Structures & Improvement	2,417	8,975	11,392
34200	T & D Reservoir & Standpipes	83,635	8,761	92,396
34300	T & D Mains	618,490	74,418	692,908
34500	T & D Services	3,456	(57)	3,399
34600	Meters	75,949	6,365	82,314
34700	Meter Installations	37,483	2,362	39,845
34800	Hydrants	67,922	7,986	75,908
	Total Transmission & Distribution Plant	$890,435	$108,783	$999,218
	General Plant			
39000	General Plant Structures & Improvement	$44,700	($979)	$43,721
39100	Office Furniture & Equip	16,989	(7,017)	9,972
39200	Transportation Equipment	48,340	1,824	50,164
39400	Tools & Work Equipment	14,028	1,940	15,968
39500	Laboratory Equipment	846	(203)	643
39600	Power Operated Equipment	195	(106)	89
39700	Communications Equipment	29,036	2,728	31,764
39710	Telemetry Equipment	209,226	1,238	210,464
39800	Computer Equipment	34,782	35,425	70,207
39900	Misc Tangible Plant	0	0	0
	Total General Plant	$398,142	$34,850	$432,992
	Total Annual Depr. & Amoriti. Expense	**$1,510,230**	**$155,184**	**$1,665,414**

Note: *[1] Contributions In Aid of Construction removed from plant balance for depreciation expense calculation.*

Mountain Water Company
Water Exhibit 4
Calculation of Return on Rate Base

	Total TY 2004
Division Utility Plant	$59,933,678
Working Cash	655,839
Materials and Supplies	161,916
Unamort. Util. Plt. Acquisition Adjustment	486,605
Unamort. OPEB	72,398
Sub-Total Rate Base Additions	**$61,310,436**
Less:	
Division Reserve for Depreciation	$14,842,397
Advances for Construction	9,504,630
Contributions in Aid of Construction	1,891,391
Other Deferred Credits	60,000
Division Deferred Taxes	4,699,313
Investment Tax Credits	102,814
Sub-Total Rate Base Deductions	$31,100,545
Total Rate Base	**$30,209,891**
Main Office Rate Base	$551,411
Total Rate Base	**$30,761,302**
Adopted Rate of Return	9.335%
Return on Rate Base	**$2,871,568**

Note: *Rate of Return provided by Mountain Water Co.*

Mountain Water Company
Water Exhibit 5
Summary of the Test Period Revenue Requirement

O&M	
Source of Supply	$122,746
Pumping	1,274,684
Water Treatment	165,527
Transmission & Distribution	1,291,837
Clearings	324,658
Customer Accounts & Service	710,693
Administrative & General Expenses	4,246,672
Total O&M before Taxes & Transfers	**$8,136,818**
Less: Other Miscellaneous Revenues	**$4,654**
Total Taxes & Transfers	**$1,888,077**
Total O&M	**$10,020,241**
Depreciation Expense	
Source of Supply	$36,887
Pumping Plant	176,343
Treatment Plant	19,974
Transmission & Distribution Plant	999,218
General Plant	432,992
Total Depreciation	**$1,665,414**
Return on Rate Base	**$2,871,568**
TOTAL REVENUE REQUIREMENT	**$14,557,222**

Exhibit JK-1

Mountain Water Company
Water Exhibit 6
Classification of Rate Base

Account No.	Description	Total	Base (BASE)	Max Day (MAX-D)	Customer Related: Actual Customer (AC)	Customer Related: Weighted Customer Accounting (WCA)	Customer Related: Weighted Meters (WMS)	Fire Protection (FP)	Revenue Related (RR)	Direct Assignment (DA)	Notes	
	Intangible Plant											
30300	Misc. Intangible Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0		
	Total Intangible Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0		
	Source of Supply Plant											
31000	Source of Supply Land & Land Rights	$308,789	$164,949	$143,840	$0	$0	$0	$0	$0	$0	53% Base	47% Max-D
31100	S/S Structures & Improvement	500,522	267,370	233,152	0	0	0	0	0	0	53% Base	47% Max-D
31200	Reservoir-Collection/Imp	135,491	72,377	63,114	0	0	0	0	0	0	53% Base	47% Max-D
31400	Wells & Springs	278,722	148,888	129,834	0	0	0	0	0	0	53% Base	47% Max-D
31600	Supply Mains	505,514	270,036	235,478	0	0	0	0	0	0	53% Base	47% Max-D
	Total Source of Supply Plant	$1,729,038	$923,620	$805,418	$0	$0	$0	$0	$0	$0		
	Pumping Plant											
32000	Pumping Land & Land Rights	$90,529	$48,359	$42,170	$0	$0	$0	$0	$0	$0	53% Base	47% Max-D
32100	Pumping Structures & Improvement	1,493,039	797,554	695,485	0	0	0	0	0	0	53% Base	47% Max-D
32300	Other Power Production	821,166	821,166	0	0	0	0	0	0	0	100% Base	
32500	Electric Pumping Equip	2,746,318	1,467,032	1,279,286	0	0	0	0	0	0	53% Base	47% Max-D
32800	Other Pumping Equipment	108,399	57,905	50,494	0	0	0	0	0	0	53% Base	47% Max-D
	Total Pumping Plant	$5,259,451	$3,192,016	$2,067,435	$0	$0	$0	$0	$0	$0		
	Treatment Plant											
33100	Treatment Structures & Improvement	$429,175	$229,257	$199,918	$0	$0	$0	$0	$0	$0	53% Base	47% Max-D
33200	Water Treatement Equip	185,580	99,133	86,447	0	0	0	0	0	0	53% Base	47% Max-D
	Total Treatment Plant	$614,755	$328,391	$286,364	$0	$0	$0	$0	$0	$0		
	Transmission & Distribution Plant											
34000	T & D Land Rights	$43,828	$23,412	$20,416	$0	$0	$0	$0	$0	$0	53% Base	47% Max-D
34010	T & D Land-Non Depreciable	251,268	134,223	117,045	0	0	0	0	0	0	53% Base	47% Max-D
34100	T & D Structures & Improvement	288,422	154,070	134,352	0	0	0	0	0	0	53% Base	47% Max-D
34200	T & D Reservoir & Standpipes	3,804,227	2,032,148	1,772,079	0	0	0	0	0	0	53% Base	47% Max-D
34300	T & D Mains	35,332,926	18,874,196	16,458,730	0	0	0	0	0	0	53% Base	47% Max-D
34500	T & D Services	146,621	0	0	0	0	146,621	0	0	0	100% WMS	
34600	Meters	2,143,585	0	0	0	0	2,143,585	0	0	0	100% WMS	
34700	Meter Installations	1,196,060	0	0	0	0	1,196,060	0	0	0	100% WMS	
34800	Hydrants	3,037,209	0	0	0	0	0	3,037,209	0	0	100% FP	
	Total Transmission & Distribution Plant	$46,244,146	$21,218,049	$18,502,622	$0	$0	$3,486,266	$3,037,209	$0	$0		
	% T&D Plant Less Fire Protection	100.0%	49.1%	42.8%	0.0%	0.0%	8.1%	0.0%	0.0%	0.0%		
	Total Plant Before General Plant	**$53,847,390**	**$25,662,076**	**$21,661,839**	**$0**	**$0**	**$3,486,266**	**$3,037,209**	**$0**	**$0**		
	% Plant Before General Plant	100.0%	47.7%	40.2%	0.0%	0.0%	6.5%	5.6%	0.0%	0.0%	Plant Factor 1	
	% Plant Before General Plant Less Fire Protection	100.0%	50.5%	42.6%	0.0%	0.0%	6.9%	0.00%	0.0%	0.0%	Plant Factor 2	
38900	Total General Plant Land & Land Rights	$204,000	$97,220	$82,066	$0	$0	$13,208	$11,506	$0	$0	As Plant Factor 1	

Exhibit JK-1

Mountain Water Company
Water Exhibit 6
Classification of Rate Base

Account No.	Description	Total	Base (BASE)	Max Day (MAX-D)	Customer Related: Actual Customer (AC)	Customer Related: Weighted Customer Accounting (WCA)	Customer Related: Weighted Meters (WMS)	Fire Protection (FP)	Revenue Related (RR)	Direct Assignment (DA)	Notes
	General Plant										
39000	General Plant Structures & Improvement	$1,893,315	$902,298	$761,647	$0	$0	$122,580	$106,791	$0	$0	As Plant Factor 1
39100	Office Furniture & Equip	192,848	91,906	77,579	0	0	12,486	10,877	0	0	As Plant Factor 1
39200	Transportation Equipment	742,912	354,050	298,860	0	0	48,099	41,903	0	0	As Plant Factor 1
39400	Tools & Work Equipment	304,741	145,231	122,592	0	0	19,730	17,189	0	0	As Plant Factor 1
39500	Laboratory Equipment	11,917	5,679	4,794	0	0	772	672	0	0	As Plant Factor 1
39600	Power Operated Equipment	18,542	8,837	7,459	0	0	1,200	1,046	0	0	As Plant Factor 1
39700	Communications Equipment	269,357	128,368	108,357	0	0	17,439	15,193	0	0	As Plant Factor 1
39710	Telemetry Equipment	1,862,534	887,629	749,264	0	0	120,587	105,054	0	0	As Plant Factor 1
39800	Computer Equipment	580,122	276,469	233,373	0	0	37,559	32,721	0	0	As Plant Factor 1
39900	Misc Tangible Plant	6,000	2,859	2,414	0	0	388	338	0	0	As Plant Factor 1
	Total General Plant	$5,882,288	$2,803,325	$2,366,339	$0	$0	$380,840	$331,785	$0	$0	
	Total Plant in Service	**$59,933,678**	**$28,562,621**	**$24,110,244**	**$0**	**$0**	**$3,880,313**	**$3,380,500**	**$0**	**$0**	
	% Plant in Service	100.0%	47.7%	40.2%	0.0%	0.0%	6.5%	5.64%	0.0%	0.0%	Plant Factor 3
	Less: Accumulated Depreciation										
	Source of Supply	$571,077	$305,059	$266,018	$0	$0	$0	$0	$0	$0	As Source of Supply Plant
	Pumping	1,625,327	986,428	638,899	0	0	0	0	0	0	As Pumping Plant
	Treatment	302,916	161,812	141,104	0	0	0	0	0	0	As Treatment Plant
	Treatment & Distribution Plant	9,446,285	4,334,208	3,779,528	0	0	712,139	620,410	0	0	As T&D Plant
	General Plant	2,896,792	1,380,526	1,165,327	0	0	187,548	163,391	0	0	As General Plant
	Total Accumulated Depreciation	$14,842,397	$7,168,032	$5,990,877	$0	$0	$899,687	$783,801	$0	$0	
	Plus:										
	Working Cash	$655,839	$312,553	$263,832	$0	$0	$42,461	$36,992	$0	$0	Plant Factor 3
	Materials and Supplies	161,916	77,164	65,136	0	0	10,483	9,133	0	0	Plant Factor 3
	Unamort. Autil. Pit. Acquisition Adj.	486,605	231,902	195,752	0	0	31,504	27,446	0	0	Plant Factor 3
	Unamort. OPEB	72,398	34,503	29,124	0	0	4,687	4,084	0	0	Plant Factor 3
	Total	$1,376,758	$656,122	$553,845	$0	$0	$89,136	$77,655	$0	$0	
	Less:										
	Advances for Construction										
	Distribution/Transmission Mains	$9,504,630	$5,077,198	$4,427,432	$0	$0	$0	$0	$0	$0	As T&D Mains
	Hydrants	0	0	0	0	0	0	0	0	0	100% FP
	Contributions in Aid of Construction										
	Distribution/Transmission Mains	1,793,312	957,954	835,358	0	0	0	0	0	0	As T&D Mains
	Hydrants	84,763	0	0	0	0	0	84,763	0	0	100% FP
	Pumping Structures & Improvement	3,040	1,845	1,195	0	0	0	0	0	0	As Pumping Plant
	T & D Services	6,106	0	0	0	0	6,106	0	0	0	As Services
	Computer Equipment	4,170	1,987	1,678	0	0	270	235	0	0	As Computer Equipment
	Other Deferred Credits	60,000	28,594	24,137	0	0	3,885	3,384	0	0	Plant Factor 3
	Division Deferred Taxes	4,699,313	2,239,554	1,890,450	0	0	304,250	265,060	0	0	Plant Factor 3
	Investment Tax Credits	102,814	48,998	41,360	0	0	6,657	5,799	0	0	Plant Factor 3
	Total	$16,258,148	$8,356,131	$7,221,609	$0	$0	$321,167	$359,241	$0	$0	
	Main Office Rate Base	$551,411	$262,786	$221,823	$0	$0	$35,700	$31,102	$0	$0	As Plant Factor 3
	TOTAL RATE BASE	**$30,761,302**	**$13,957,366**	**$11,673,426**	**$0**	**$0**	**$2,784,295**	**$2,346,214**	**$0**	**$0**	
	% Rate Base	100.0%	45.4%	37.9%	0.0%	0.0%	9.1%	7.63%	0.0%	0.0%	Plant Factor 4

Exhibit JK-1

Mountain Water Company
Water Exhibit 7
Direct Assignment of Rate Base

Account No.	Description	Total	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental
	Intangible Plant										
30300	Misc. Intangible Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Intangible Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Source of Supply Plant										
31000	Source of Supply Land & Land Rights	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
31100	S/S Structures & Improvement	0	0	0	0	0	0	0	0	0	0
31200	Reservoir-Collection/Imp	0	0	0	0	0	0	0	0	0	0
31400	Wells & Springs	0	0	0	0	0	0	0	0	0	0
31600	Supply Mains	0	0	0	0	0	0	0	0	0	0
	Total Source of Supply Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Pumping Plant										
32000	Pumping Land & Land Rights	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
32100	Pumping Structures & Improvement	0	0	0	0	0	0	0	0	0	0
32300	Other Power Production	0	0	0	0	0	0	0	0	0	0
32500	Electric Pumping Equip	0	0	0	0	0	0	0	0	0	0
32800	Other Pumping Equipment	0	0	0	0	0	0	0	0	0	0
	Total Pumping Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Treatment Plant										
33100	Treatment Structures & Improvement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
33200	Water Treatement Equip	0	0	0	0	0	0	0	0	0	0
	Total Treatment Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Transmission & Distribution Plant										
34000	T & D Land Rights	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
34010	T & D Land-Non Depreciable	0	0	0	0	0	0	0	0	0	0
34100	T & D Structures & Improvement	0	0	0	0	0	0	0	0	0	0
34200	T & D Reservoir & Standpipes	0	0	0	0	0	0	0	0	0	0
34300	T & D Mains	0	0	0	0	0	0	0	0	0	0
34500	T & D Services	0	0	0	0	0	0	0	0	0	0
34600	Meters	0	0	0	0	0	0	0	0	0	0
34700	Meter Installations	0	0	0	0	0	0	0	0	0	0
34800	Hydrants	0	0	0	0	0	0	0	0	0	0
	Total Transmission & Distribution Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Plant Before General Plant	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	% Plant Before General Plant	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
38900	Total General Plant Land & Land Rights	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Exhibit JK-1

Mountain Water Company
Water Exhibit 7
Direct Assignment of Rate Base

Account No.	Description	Total	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental
	General Plant										
39000	General Plant Structures & Improvement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
39100	Office Furniture & Equip	0	0	0	0	0	0	0	0	0	0
39200	Transportation Equipment	0	0	0	0	0	0	0	0	0	0
39400	Tools & Work Equipment	0	0	0	0	0	0	0	0	0	0
39500	Laboratory Equipment	0	0	0	0	0	0	0	0	0	0
39600	Power Operated Equipment	0	0	0	0	0	0	0	0	0	0
39700	Communications Equipment	0	0	0	0	0	0	0	0	0	0
39710	Telemetry Equipment	0	0	0	0	0	0	0	0	0	0
39800	Computer Equipment	0	0	0	0	0	0	0	0	0	0
39900	Misc Tangible Plant	0	0	0	0	0	0	0	0	0	0
	Total General Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Plant in Service	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Less: Accumulated Depreciation										
	Source of Supply	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Pumping	0	0	0	0	0	0	0	0	0	0
	Treatment	0	0	0	0	0	0	0	0	0	0
	Treatment & Distribution Plant	0	0	0	0	0	0	0	0	0	0
	General Plant	0	0	0	0	0	0	0	0	0	0
	Total Accumulated Depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Plus:										
	Working Cash	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Materials and Supplies	0	0	0	0	0	0	0	0	0	0
	Unamort. Autil. Pit. Acquisition Adj.	0	0	0	0	0	0	0	0	0	0
	Unamort. OPEB	0	0	0	0	0	0	0	0	0	0
	Total	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Less:										
	Advances for Construction										
	Distribution/Transmission Mains	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Hydrants	0	0	0	0	0	0	0	0	0	0
	Contributions in Aid of Construction										
	Distribution/Transmission Mains	0	0	0	0	0	0	0	0	0	0
	Hydrants	0	0	0	0	0	0	0	0	0	0
	Pumping Structures & Improvement	0	0	0	0	0	0	0	0	0	0
	T & D Services	0	0	0	0	0	0	0	0	0	0
	Computer Equipment	0	0	0	0	0	0	0	0	0	0
	Other Deferred Credits	0	0	0	0	0	0	0	0	0	0
	Division Deferred Taxes	0	0	0	0	0	0	0	0	0	0
	Investment Tax Credits	0	0	0	0	0	0	0	0	0	0
	Total	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Main Office Rate Base	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	TOTAL RATE BASE	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Exhibit JK-1

Mountain Water Company
Water Exhibit 8
Classification of O&M Expenses

Account Number	Item	Total	Base (BASE)	Max Day (MAX-D)	Customer Related: Actual Customer (AC)	Customer Related: Weighted Customer Accounting (WCA)	Customer Related: Weighted Meters (WMS)	Fire Protection (FP)	Revenue Related (RR)	Direct Assignment (DA)	Notes:
	Operating and Maintenance Expense										
	Source of Supply Expense										
600	Operation Supervision and Eng	$3,793	$2,026	$1,767	$0	$0	$0	$0	$0	$0	As source of supply plant
601	Operation Labor & Expenses	24,802	13,249	11,553	0	0	0	0	0	0	As source of supply plant
602	Purchased Water	0	0	0	0	0	0	0	0	0	As source of supply plant
603	Miscellaneous	40,232	21,491	18,741	0	0	0	0	0	0	As source of supply plant
604	Rents	1,200	641	559	0	0	0	0	0	0	As source of supply plant
610	Maint Supervision & Engineering	68	37	32	0	0	0	0	0	0	As source of supply plant
611	Maint of Struct & Improv	45,869	24,502	21,366	0	0	0	0	0	0	As S/S Structures & Improv plant
612	Maint of Collect & Impound Res.	0	0	0	0	0	0	0	0	0	As source of supply plant
613	Maint of Lakes and Other Intakes	4,141	2,212	1,929	0	0	0	0	0	0	As source of supply plant
614	Maint of Wells	0	0	0	0	0	0	0	0	0	As wells & springs plant
616	Maint of Supply Mains	2,642	1,411	1,231	0	0	0	0	0	0	As supply mains plant
617	Maint of Misc Sources	0	0	0	0	0	0	0	0	0	As source of supply plant
	Total Source of Supply Expense	$122,746	$65,569	$57,177	$0	$0	$0	$0	$0	$0	
	Pumping Expense										
622	Power Production Labor & Exp	$2,717	$1,649	$1,068	$0	$0	$0	$0	$0	$0	As pumping plant
623	Fuel or Power Purch for Pumping	935,899	935,899	0	0	0	0	0	0	0	100% BASE
624	Pumping Labor & Expenses	61,165	37,121	24,043	0	0	0	0	0	0	As pumping plant
626	Miscellaneous Expenses	30,151	18,299	11,852	0	0	0	0	0	0	As pumping plant
630	Maint Supervision & Engineering	57,466	34,877	22,589	0	0	0	0	0	0	As pumping plant
631	Maint of Struct & Improv	50,421	26,934	23,487	0	0	0	0	0	0	As structures & improv plant
632	Maint of Power Production Equip	55,890	55,890	0	0	0	0	0	0	0	As other power production Equip
633	Maint of Pumping Equip	80,977	43,256	37,720	0	0	0	0	0	0	As other pumping equip plant
	Total Pumping Expense	$1,274,684	$1,153,924	$120,760	$0	$0	$0	$0	$0	$0	
	Water Treatment Expense										
640	Operation Supervision & Engin.	$0	$0	$0	$0	$0	$0	$0	$0	$0	As treatment plant
641	Chemicals	42,415	42,415	0	0	0	0	0	0	0	100% BASE
642	Operation Labor & Expenses	99,101	60,145	38,955	0	0	0	0	0	0	As treatment plant
643	Miscellaneous	0	0	0	0	0	0	0	0	0	As treatment plant
650	Maint Supervision & Engineering	0	0	0	0	0	0	0	0	0	As treatment plant
651	Maint of Struct & Improve	4,433	2,368	2,065	0	0	0	0	0	0	As Structures & Improv plant
652	Maint of Equipment	19,579	10,459	9,120	0	0	0	0	0	0	As water treatment equip plant
	Total Water Treatment Expense	$165,527	$115,387	$50,141	$0	$0	$0	$0	$0	$0	

Exhibit JK-1

Mountain Water Company
Water Exhibit 8
Classification of O&M Expenses

Account Number	Item	Total	Base (BASE)	Max Day (MAX-D)	Customer Related: Actual Customer (AC)	Customer Related: Weighted Customer Accounting (WCA)	Customer Related: Weighted Meters (WMS)	Fire Protection (FP)	Revenue Related (RR)	Direct Assignment (DA)	Notes:
	Transmission & Distribution Expense										
660	Oper Supervision & Engineering	$229,152	$105,141	$91,686	$0	$0	$17,275	$15,050	$0	$0	As T & D Plant
661	Storage Facilities Expenses	51,417	27,466	23,951	0	0	0	0	0	0	As Reservoirs & Standpipes
662	Trans & Dist Lines Expense	119,863	64,029	55,834	0	0	0	0	0	0	As T & D Mains Plant
663	Meter Expenses	29,619	0	0	0	0	29,619	0	0	0	100% WMS
664	Customer Installation Expenses	144,682	0	0	0	0	144,682	0	0	0	100% WMS
665	Miscellaneous Expenses	133,574	61,287	53,444	0	0	10,070	8,773	0	0	As T & D Plant
670	Maint Supervision & Engineering	0	0	0	0	0	0	0	0	0	As T & D Plant
671	Maint of Streets & Improv	0	0	0	0	0	0	0	0	0	As T & D Plant
672	Maint of Dist Reser & Standpipes	31,534	16,845	14,689	0	0	0	0	0	0	As Reservoirs & Standpipes
673	Maint of Trans & Dist Mains	470,403	251,281	219,122	0	0	0	0	0	0	As T & D Mains Plant
674	Maint of Fire Mains	476	0	0	0	0	0	476	0	0	100% FP
675	Maintenance of Service Lines	0	0	0	0	0	0	0	0	0	As T & D Plant
676	Maintenance of Meters	27,064	0	0	0	0	27,064	0	0	0	100% WMS
677	Maintenance of Hydrants	49,356	0	0	0	0	0	49,356	0	0	100% FP
678	Maint of Misc Plant	4,696	2,155	1,879	0	0	354	308	0	0	As T & D Plant
	Total Transmission & Distribution Expense	$1,291,837	$528,203	$460,605	$0	$0	$229,065	$73,964	$0	$0	
	Clearings										
963	Stores Clearings	$53,947	$27,246	$22,999	$0	$0	$3,701	$0	$0	$0	As Plant Factor 2
964	Transportation Clearings	235,482	118,932	100,393	0	0	16,157	0	0	0	As Plant Factor 2
965	Tools & Equip. Clearings	35,229	17,793	15,019	0	0	2,417	0	0	0	As Plant Factor 2
	Total Clearings	$324,658	$163,971	$138,411	$0	$0	$22,276	$0	$0	$0	
	Customer Accounts & Service Expense										
901	Supervision	$51,691	$0	$0	$8,667	$37,019	$6,005	$0	$0	$0	As Accounts Below
902	Meter Reading Expense	76,561	0	0	0	0	76,561	0	0	0	100% WMS
903	Customer Records & Collect Exp	428,236	0	0	0	428,236	0	0	0	0	100% WCA
904	Uncollectible Accounts	58,077	0	0	58,077	0	0	0	0	0	100% AC
905	Misc. Customer Accounts Exp	43,712	0	0	0	43,712	0	0	0	0	100% WCA
907	Customer Service & Info Exp	52,416	0	0	52,416	0	0	0	0	0	100% AC
910	Sales Promotion Expense	0	0	0	0	0	0	0	0	0	100% AC
934	Allocated Data Processing Exp	0	0	0	0	0	0	0	0	0	100% WCA
	Total Customer Accounts & Service Expense	$710,693	$0	$0	$119,160	$508,967	$82,566	$0	$0	$0	

Exhibit JK-1

Mountain Water Company
Water Exhibit 8
Classification of O&M Expenses

Account Number	Item	Total	Base (BASE)	Max Day (MAX-D)	Customer Related: Actual Customer (AC)	Customer Related: Weighted Customer Accounting (WCA)	Customer Related: Weighted Meters (WMS)	Fire Protection (FP)	Revenue Related (RR)	Direct Assignment (DA)	Notes:
	Admin. & General Expense										
920	Admin & General Salaries	$478,387	$198,631	$162,269	$12,120	$51,766	$32,555	$21,046	$0	$0	As O&M Salaries
921	Office Supplies & Other Expense	254,095	135,667	45,227	8,700	37,159	22,704	4,639	0	0	As All Other O&M
922	Admin Expense Transferred	(239,593)	(127,924)	(42,645)	(8,203)	(35,039)	(21,408)	(4,374)	0	0	As All Other O&M
923	Outside Services Employed	158,848	84,812	28,273	5,439	23,230	14,193	2,900	0	0	As All Other O&M
925	Injuries and Damages	635,958	339,553	113,195	21,774	93,004	56,823	11,610	0	0	As All Other O&M
926	Employee Pensions & Benefits	1,137,264	607,211	202,423	38,938	166,316	101,615	20,761	0	0	As All Other O&M
928	Regulatory Commission Expense	5,977	3,191	1,064	205	874	534	109	0	0	As All Other O&M
930	Misc General Expenses	47,004	25,097	8,366	1,609	6,874	4,200	858	0	0	As All Other O&M
932	Maintenance of General Plant	87,305	41,607	35,121	0	0	5,652	4,924	0	0	As General Plant
933	Allocated Main Office - A&G Exp	1,681,428	801,319	676,408	0	0	108,861	94,839	0	0	As Main Office
	Total Admin. & General Expense	$4,246,672	$2,109,163	$1,229,701	$80,581	$344,184	$325,730	$157,312	$0	$0	
	Total O&M Before Taxes	**$8,136,818**	**$4,136,217**	**$2,056,795**	**$199,741**	**$853,152**	**$659,637**	**$231,276**	**$0**	**$0**	
	Revenue Taxes & Connection Fees										
408	MT Consumer Counsel	$18,930	$0	$0	$0	$0	$0	$0	$18,930	$0	100% RR
408	PSC	40,773	0	0	0	0	0	0	40,773	0	100% RR
408	Other Taxes	40,177	0	0	0	0	0	0	40,177	0	100% RR
	Total Revenue Taxes & Connection Fees	$99,880	$0	$0	$0	$0	$0	$0	$99,880	$0	
408	Real & Personal Property	$757,765	$343,822	$287,560	$0	$0	$68,587	$57,796	$0	$0	As Plant Factor 4
	Total Property Taxes	$757,765	$343,822	$287,560	$0	$0	$68,587	$57,796	$0	$0	
408	F.I.C.A; Medicare	$184,684	$76,682	$62,645	$4,679	$19,985	$12,568	$8,125	$0	$0	As O&M Salaries
408	F.U.T.A	2,774	1,152	941	70	300	189	122	0	0	As O&M Salaries
408	S.U.I; Other Payroll	8,217	3,412	2,787	208	889	559	361	0	0	As O&M Salaries
408	Recharge to CWIP	(13,084)	(5,432)	(4,438)	(331)	(1,416)	(890)	(576)	0	0	As O&M Salaries
	Total Employment Taxes	$182,591	$75,813	$61,935	$4,626	$19,758	$12,426	$8,033	$0	$0	
	Total Taxes Other Than Income	**$1,040,235**	**$419,635**	**$349,495**	**$4,626**	**$19,758**	**$81,013**	**$65,829**	**$99,880**	**$0**	
409	Federal Tax Expense	$896,035	$406,559	$340,031	$0	$0	$81,103	$68,342	$0	$0	As Plant Factor 4
409	State Tax Expense	(48,193)	(21,867)	(18,288)	0	0	(4,362)	(3,676)	0	0	As Plant Factor 4
	Total Total Taxes Other Than Income	$847,842	$384,693	$321,743	$0	$0	$76,741	$64,666	$0	$0	
	Less: Other Miscellaneous Revenues	$4,654	$2,366	$1,176	$114	$488	$377	$132	$0	$0	As Total O&M Before Taxes
	Total Operating & Maintenance Expense	**$10,020,241**	**$4,938,179**	**$2,726,856**	**$204,253**	**$872,422**	**$817,013**	**$361,638**	**$99,880**	**$0**	

Exhibit JK-1

Mountain Water Company
Watere Exhibit 9
Direct Assignment of O&M Expenses

Account No.	Item	Total	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental
	Operating and Maintenance Expense										
	Source of Supply Expense										
600	Operation Supervision and Eng	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
601	Operation Labor & Expenses	0	0	0	0	0	0	0	0	0	0
602	Purchased Water	0	0	0	0	0	0	0	0	0	0
603	Miscellaneous	0	0	0	0	0	0	0	0	0	0
604	Rents	0	0	0	0	0	0	0	0	0	0
610	Maint Supervision & Engineering	0	0	0	0	0	0	0	0	0	0
611	Maint of Struct & Improv	0	0	0	0	0	0	0	0	0	0
612	Maint of Collect & Impound Res.	0	0	0	0	0	0	0	0	0	0
613	Maint of Lakes and Other Intakes	0	0	0	0	0	0	0	0	0	0
614	Maint of Wells	0	0	0	0	0	0	0	0	0	0
616	Maint of Supply Mains	0	0	0	0	0	0	0	0	0	0
617	Maint of Misc Sources	0	0	0	0	0	0	0	0	0	0
	Total Source of Supply Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Pumping Expense										
622	Power Production Labor & Exp	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
623	Fuel or Power Purch for Pumping	0	0	0	0	0	0	0	0	0	0
624	Pumping Labor & Expenses	0	0	0	0	0	0	0	0	0	0
626	Miscellaneous Expenses	0	0	0	0	0	0	0	0	0	0
630	Maint Supervision & Engineering	0	0	0	0	0	0	0	0	0	0
631	Maint of Struct & Improv	0	0	0	0	0	0	0	0	0	0
632	Maint of Power Production Equip	0	0	0	0	0	0	0	0	0	0
633	Maint of Pumping Equip	0	0	0	0	0	0	0	0	0	0
	Total Pumping Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Water Treatment Expense										
640	Operation Supervision & Engin.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
641	Chemicals	0	0	0	0	0	0	0	0	0	0
642	Operation Labor & Expenses	0	0	0	0	0	0	0	0	0	0
643	Miscellaneous	0	0	0	0	0	0	0	0	0	0
650	Maint Supervision & Engineering	0	0	0	0	0	0	0	0	0	0
651	Maint of Struct & Improve	0	0	0	0	0	0	0	0	0	0
652	Maint of Equipment	0	0	0	0	0	0	0	0	0	0
	Total Water Treatment Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Exhibit JK-1

Mountain Water Company
Watere Exhibit 9
Direct Assignment of O&M Expenses

Account No.	Item	Total	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental
	Transmission & Distribution Expense										
660	Oper Supervision & Engineering	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
661	Storage Facilities Expenses	0	0	0	0	0	0	0	0	0	0
662	Trans & Dist Lines Expense	0	0	0	0	0	0	0	0	0	0
663	Meter Expenses	0	0	0	0	0	0	0	0	0	0
664	Customer Installation Expenses	0	0	0	0	0	0	0	0	0	0
665	Miscellaneous Expenses	0	0	0	0	0	0	0	0	0	0
670	Maint Supervision & Engineering	0	0	0	0	0	0	0	0	0	0
671	Maint of Streets & Improv	0	0	0	0	0	0	0	0	0	0
672	Maint of Dist Reser & Standpipes	0	0	0	0	0	0	0	0	0	0
673	Maint of Trans & Dist Mains	0	0	0	0	0	0	0	0	0	0
674	Maint of Fire Mains	0	0	0	0	0	0	0	0	0	0
675	Maintenance of Service Lines	0	0	0	0	0	0	0	0	0	0
676	Maintenance of Meters	0	0	0	0	0	0	0	0	0	0
677	Maintenance of Hydrants	0	0	0	0	0	0	0	0	0	0
678	Maint of Misc Plant	0	0	0	0	0	0	0	0	0	0
	Total Transmission & Distribution Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Clearings										
963	Stores Clearings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
964	Transportation Clearings	0	0	0	0	0	0	0	0	0	0
965	Tools & Equip. Clearings	0	0	0	0	0	0	0	0	0	0
	Total Clearings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Customer Accounts & Service Expense										
901	Supervision	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
902	Meter Reading Expense	0	0	0	0	0	0	0	0	0	0
903	Customer Records & Collect Exp	0	0	0	0	0	0	0	0	0	0
904	Uncollectible Accounts	0	0	0	0	0	0	0	0	0	0
905	Misc. Customer Accounts Exp	0	0	0	0	0	0	0	0	0	0
907	Customer Service & Info Exp	0	0	0	0	0	0	0	0	0	0
910	Sales Promotion Expense	0	0	0	0	0	0	0	0	0	0
934	Allocated Data Processing Exp	0	0	0	0	0	0	0	0	0	0
	Total Customer Accounts & Service Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Exhibit JK-1

Mountain Water Company
Watere Exhibit 9
Direct Assignment of O&M Expenses

Account No.	Item	Total	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental
	Admin. & General Expense										
920	Admin & General Salaries	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
921	Office Supplies & Other Expense	0	0	0	0	0	0	0	0	0	0
922	Admin Expense Transferred	0	0	0	0	0	0	0	0	0	0
923	Outside Services Employed	0	0	0	0	0	0	0	0	0	0
925	Injuries and Damages	0	0	0	0	0	0	0	0	0	0
926	Employee Pensions & Benefits	0	0	0	0	0	0	0	0	0	0
928	Regulatory Commission Expense	0	0	0	0	0	0	0	0	0	0
930	Misc General Expenses	0	0	0	0	0	0	0	0	0	0
932	Maintenance of General Plant	0	0	0	0	0	0	0	0	0	0
933	Allocated Main Office - A&G Exp	0	0	0	0	0	0	0	0	0	0
	Total Admin. & General Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total O&M Before Taxes		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Revenue Taxes & Connection Fees										
408	MT Consumer Counsel	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
408	PSC	0	0	0	0	0	0	0	0	0	0
408	Other Taxes	0	0	0	0	0	0	0	0	0	0
	Total Revenue Taxes & Connection Fees	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
408	Real & Personal Property	0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Property Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
408	F.I.C.A; Medicare	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
408	F.U.T.A	0	0	0	0	0	0	0	0	0	0
408	S.U.I; Other Payroll	0	0	0	0	0	0	0	0	0	0
408	Recharge to CWIP	0	0	0	0	0	0	0	0	0	0
	Total Employment Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Taxes Other Than Income	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
409	Federal Tax Expense	0	$0	$0	$0	$0	$0	$0	$0	$0	$0
409	State Tax Expense	0	0	0	0	0	0	0	0	0	0
	Total Total Taxes Other Than Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Operating & Maintenance Expense	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Exhibit JK-1

Mountain Water Company
Water Exhibit 10
Classification of Depreciation Expense

Account No.	Description	Total	Base (BASE)	Max Day (MAX-D)	Customer Related: Actual Customer (AC)	Customer Related: Weighted Customer Accounting (WCA)	Customer Related: Weighted Meters (WMS)	Fire Protection (FP)	Revenue Related (RR)	Direct Assignment (DA)	Notes
	Source of Supply Plant										
31100	S/S Structures & Improvement	$16,028	$8,562	$7,466	$0	$0	$0	$0	$0	$0	As S/S Structures & Improvement Plant
31200	Reservoir-Collection/Imp	2,819	1,506	1,313	0	0	0	0	0	0	As reservior-collection/imp plant
31400	Wells & Springs	7,608	4,064	3,544	0	0	0	0	0	0	As wells & spring plant
31600	Supply Mains	10,432	5,573	4,859	0	0	0	0	0	0	As supply mains plant
	Total Source of Supply Plant	$36,887	$19,704	$17,183	$0	$0	$0	$0	$0	$0	
	Pumping Plant										
32100	Pumping Structures & Improvement	$36,378	$19,432	$16,946	$0	$0	$0	$0	$0	$0	As pumping structures & improvement plant
32300	Other Power Production	31,012	31,012	0	0	0	0	0	0	0	As other power production plant
32500	Electric Pumping Equip	106,888	57,098	49,790	0	0	0	0	0	0	As electric pumping equip plant
32800	Other Pumping Equipment	2,065	1,103	962	0	0	0	0	0	0	As other pumping equip plant
	Total Pumping Plant	$176,343	$108,645	$67,698	$0	$0	$0	$0	$0	$0	
	Treatment Plant										
33100	Treatment Structures & Improvement	$13,132	$7,015	$6,117	$0	$0	$0	$0	$0	$0	As treatment structures & improvement plant
33200	Water Treatement Equip	6,842	3,655	3,187	0	0	0	0	0	0	As water treatment equip plant
	Total Treatment Plant	$19,974	$10,670	$9,304	$0	$0	$0	$0	$0	$0	
	Transmission & Distribution Plant										
34000	T & D Land Rights	$1,056	$564	$492	$0	$0	$0	$0	$0	$0	As T & D Land Rights plant
34100	T & D Structures & Improvement	11,392	6,085	5,307	0	0	0	0	0	0	As T & T Structures & Improvements plant
34200	T & D Reservoir & Standpipes	92,396	49,356	43,040	0	0	0	0	0	0	As T & D Reservior & Standpipes plant
34300	T & D Mains	692,908	370,139	322,769	0	0	0	0	0	0	As T & D Mains plant
34500	T & D Services	3,399	0	0	0	0	3,399	0	0	0	As T & D Services plant
34600	Meters	82,314	0	0	0	0	82,314	0	0	0	As meters plant
34700	Meter Installations	39,845	0	0	0	0	39,845	0	0	0	As meter installations plant
34800	Hydrants	75,908	0	0	0	0	0	75,908	0	0	As hydrants plant
	Total Transmission & Distribution Plant	$999,218	$426,144	$371,608	$0	$0	$125,558	$75,908	$0	$0	
	General Plant										
39000	General Plant Structures & Improvement	$43,721	$20,836	$17,588	$0	$0	$2,831	$2,466	$0	$0	As General Plant Structures & Improvement plant
39100	Office Furniture & Equip	9,972	4,752	4,012	0	0	646	562	0	0	As Office Furniture & Equip plant
39200	Transportation Equipment	50,164	23,907	20,180	0	0	3,248	2,829	0	0	As Transportation Equipment plant
39400	Tools & Work Equipment	15,968	7,610	6,424	0	0	1,034	901	0	0	As Tools & Work Equipment plant
39500	Laboratory Equipment	643	306	259	0	0	42	36	0	0	As Laboratory Equipment plant
39600	Power Operated Equipment	89	42	36	0	0	6	5	0	0	As Power Operated Equipment plant
39700	Communications Equipment	31,764	15,138	12,778	0	0	2,057	1,792	0	0	As Communications Equipment plant
39710	Telemetry Equipment	210,464	100,301	84,666	0	0	13,626	11,871	0	0	As Telemetry Equipment plant
39800	Computer Equipment	70,207	33,459	28,243	0	0	4,545	3,960	0	0	As Computer Equipment plant
39900	Misc Tangible Plant	0	0	0	0	0	0	0	0	0	As Misc Tangible Plant (e) plant
	Total General Plant	$432,992	$206,351	$174,185	$0	$0	$28,033	$24,422	$0	$0	
	Total Annual Depreciation Expense	**$1,665,414**	**$771,515**	**$639,977**	**$0**	**$0**	**$153,591**	**$100,330**	**$0**	**$0**	

Exhibit JK-1

Mountain Water Company
Water Exhibit 11
Direct Assignment of Depreciation Expense

Account No.	Description	Total	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental
	Source of Supply Plant										
31100	S/S Structures & Improvement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
31200	Reservoir-Collection/Imp	0	0	0	0	0	0	0	0	0	0
31400	Wells & Springs	0	0	0	0	0	0	0	0	0	0
31600	Supply Mains	0	0	0	0	0	0	0	0	0	0
	Total Source of Supply Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Pumping Plant										
32100	Pumping Structures & Improvement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
32300	Other Power Production	0	0	0	0	0	0	0	0	0	0
32500	Electric Pumping Equip	0	0	0	0	0	0	0	0	0	0
32800	Other Pumping Equipment	0	0	0	0	0	0	0	0	0	0
	Total Pumping Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Treatment Plant										
33100	Treatment Structures & Improvement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
33200	Water Treatement Equip	0	0	0	0	0	0	0	0	0	0
	Total Treatment Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Transmission & Distribution Plant										
34000	T & D Land Rights	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
34100	T & D Structures & Improvement	0	0	0	0	0	0	0	0	0	0
34200	T & D Reservoir & Standpipes	0	0	0	0	0	0	0	0	0	0
34300	T & D Mains	0	0	0	0	0	0	0	0	0	0
34500	T & D Services	0	0	0	0	0	0	0	0	0	0
34600	Meters	0	0	0	0	0	0	0	0	0	0
34700	Meter Installations	0	0	0	0	0	0	0	0	0	0
34800	Hydrants	0	0	0	0	0	0	0	0	0	0
	Total Transmission & Distribution Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	General Plant										
39000	General Plant Structures & Improvement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
39100	Office Furniture & Equip	0	0	0	0	0	0	0	0	0	0
39200	Transportation Equipment	0	0	0	0	0	0	0	0	0	0
39400	Tools & Work Equipment	0	0	0	0	0	0	0	0	0	0
39500	Laboratory Equipment	0	0	0	0	0	0	0	0	0	0
39600	Power Operated Equipment	0	0	0	0	0	0	0	0	0	0
39700	Communications Equipment	0	0	0	0	0	0	0	0	0	0
39710	Telemetry Equipment	0	0	0	0	0	0	0	0	0	0
39800	Computer Equipment	0	0	0	0	0	0	0	0	0	0
39900	Misc Tangible Plant	0	0	0	0	0	0	0	0	0	0
	Total General Plant	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Annual Depreciation Expense	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Mountain Water Company
Water Exhibit 12
Equivalent Meter Capacity Ratios

Line Size (inches)	Equivalent Meter Schedule
5/8"	1.0
3/4"	1.5
1"	2.5
1 1/2"	5.0
2"	8.0
3"	15.0
4"	25.0
6"	50.0
8"	80.0
10"	115.0

Exhibit JK-1

Mountain Water Company
Water Exhibit 13
Calculation of Equivalent Meters [1]

	Number of Meters [2]										
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Total
Residential	9,956	225	98	6	1	0	0	0	0	0	10,286
Residential - Unmetered	0	0	0	0	0	0	0	0	0	0	0
Business	1,343	340	602	195	216	38	19	3	0	0	2,756
Business- Unmetered	0	0	0	0	0	0	0	0	0	0	0
Public Authority	5	0	9	5	29	3	5	4	2	2	64
Pub. Authority - Unmetered	0	0	0	0	0	0	0	0	0	0	0
Irrigation	47	17	57	18	28	1	0	0	0	0	168
Irrigation Unmetered	0	0	0	0	0	0	0	0	0	0	0
Inter-departmental	0	0	0	0	1	0	0	0	0	0	1
Total Meters	11,351	582	766	224	275	42	24	7	2	2	13,275
Equivalency Factor	1.00	1.50	2.50	5.00	8.00	15.00	25.00	50.00	80.00	115.00	
	Equivalent Meters										
Residential	9,956	338	245	30	8	0	0	0	0	0	10,577
Residential - Unmetered	0	0	0	0	0	0	0	0	0	0	0
Business	1,343	510	1,505	975	1,728	570	475	150	0	0	7,256
Business- Unmetered	0	0	0	0	0	0	0	0	0	0	0
Public Authority	5	0	23	25	232	45	125	200	160	230	1,045
Pub. Authority - Unmetered	0	0	0	0	0	0	0	0	0	0	0
Irrigation	47	26	143	90	224	15	0	0	0	0	544
Irrigation Unmetered	0	0	0	0	0	0	0	0	0	0	0
Inter-departmental	0	0	0	0	8	0	0	0	0	0	8
Total Equivalent Meters	**11,351**	**873**	**1,915**	**1,120**	**2,200**	**630**	**600**	**350**	**160**	**230**	**19,429**
Replacement Cost	$222.60	$253.60	$305.60	$543.20	$648.20	$2,084.40	$2,929.40	$4,620.50	$5,060.50	$5,439.50	
	Replacment Cost										Average Cost/Meter
Residential	2,216,206	57,060	29,949	3,259	648	0	0	0	0	0	2,307,122	224
Residential - Unmetered	0	0	0	0	0	0	0	0	0	0	0	0
Business	298,952	86,224	183,971	105,924	140,011	79,207	55,659	13,862	0	0	963,810	350
Business- Unmetered	0	0	0	0	0	0	0	0	0	0	0	0
Public Authority	1,113	0	2,750	2,716	18,798	6,253	14,647	18,482	10,121	10,879	85,759	1,340
Pub. Authority - Unmetered	0	0	0	0	0	0	0	0	0	0	0	0
Irrigation	10,462	4,311	17,419	9,778	18,150	2,084	0	0	0	0	62,204	370
Irrigation Unmetered	0	0	0	0	0	0	0	0	0	0	0	0
Inter-departmental	0	0	0	0	648	0	0	0	0	0	648	648
Total Replacement Cost	**2,526,733**	**147,595**	**234,090**	**121,677**	**178,255**	**87,545**	**70,306**	**32,344**	**10,121**	**10,879**	**3,419,543**	**2,932**

Note:
[1] Equivalent meter factor used in Exhibit 28 for Customer Related Costs
[2] Number of meters is based on 5 year average to tie to consumption and revenue calculations

Exhibit JK-1

Mountain Water Company
Water Exhibit 14
Calculation of Peaking Factors

Customer Class	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Demands	Max Month Demand	Peak-Day Factor
Monthly Sales (CCF)															
Residential	73,322	64,279	66,156	83,721	121,640	209,705	316,670	423,568	310,989	153,090	69,200	65,445	1,957,785		
Residential - Unmetered	0	0	0	0	0	0	0	0	0	0	0	0	0		
Business	117,048	101,035	110,191	116,508	142,053	171,397	203,208	232,007	199,459	143,707	105,217	99,944	1,741,774		
Business- Unmetered	0	0	0	0	0	0	0	0	0	0	0	0	0		
Public Authority	17,769	27,151	28,422	33,472	39,648	38,393	70,434	67,468	52,302	37,219	26,818	24,670	463,766		
Pub. Authority - Unmetered	0	0	0	0	0	0	0	0	0	0	0	0	0		
Irrigation	159	(3,319)	96	552	15,282	46,177	66,990	81,177	64,988	10,796	181	0	283,079		
Irrigation Unmetered	0	0	0	0	0	0	0	0	0	0	0	0	0		
Inter-departmental	26	24	26	14	6	3	1	171	115	75	13	10	484		
Consumpiton/Customer/Month															
Residential	7.32	6.40	6.56	8.27	11.92	20.46	30.65	40.86	29.79	14.62	6.57	6.19	15.80	40.86	2.59
Residential - Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	0.00	-	NA
Business	43.21	37.25	40.51	42.60	51.71	62.35	73.41	83.64	71.54	51.29	37.67	35.76	52.58	83.64	1.59
Business- Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	0.00	-	NA
Public Authority	282.05	430.97	451.14	523.00	619.50	599.89	1,100.53	1,054.19	817.22	581.55	419.03	385.47	605.38	1,100.53	1.82
Pub. Authority - Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	0.00	-	NA
Irrigation	53.00	0.00	19.20	4.00	55.17	123.80	167.48	202.44	184.63	182.98	90.50	0.00	90.27	202.44	2.24
Irrigation Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	0.00	-	NA
Inter-departmental	26.00	24.00	26.00	14.00	6.00	3.00	1.00	171.00	115.00	75.00	13.00	10.00	40.33	171.00	4.24
System Peak-Month Demand (MG)	39.64														
System Peak-Day Demand (MG)	44.17														
System Average-Day Demands (MG)	23.59														

Monthly Detail For Adjusted Test Year Usage in CCF's [1]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Metered-Residential	73,322	64,279	66,156	83,721	121,640	209,705	316,670	423,568	310,989	153,090	69,200	65,445	1,957,785
Metered-Business	117,048	101,035	110,191	116,508	142,053	171,397	203,208	232,007	199,459	143,707	105,217	99,944	1,741,774
Metered-Public Authority	17,769	27,151	28,422	33,472	39,648	38,393	70,434	67,468	52,302	37,219	26,818	24,670	463,766
Irrigation--Metered	159	(3,319)	96	552	15,282	46,177	66,990	81,177	64,988	10,796	181	-	283,079
Interdepartmental Sales	26	24	26	14	6	3	1	171	115	75	13	10	484
	208,324	**189,170**	**204,891**	**234,267**	**318,629**	**465,675**	**657,303**	**804,391**	**627,853**	**344,887**	**201,429**	**190,069**	**4,446,888**

Monthly Detail For Test Year 2004 Customer Count

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
Metered-Residential	10,021	10,036	10,086	10,129	10,201	10,248	10,331	10,367	10,438	10,472	10,528	10,566	10,285
Metered-Business	2,709	2,712	2,720	2,735	2,747	2,749	2,768	2,774	2,788	2,802	2,793	2,795	2,758
Metered-Public Authority	63	63	63	64	64	64	64	64	64	64	64	64	64
Irrigation--Metered	3	5	5	138	277	373	400	401	352	59	2	0	401
Interdepartmental Sales	1	1	1	1	1	1	1	1	1	1	1	1	1
	12,797	**12,817**	**12,875**	**13,067**	**13,290**	**13,435**	**13,564**	**13,607**	**13,643**	**13,398**	**13,388**	**13,426**	**13,509**

Note: [1] Based on 5 year average consumption

Exhibit JK-1

Mountain Water Company
Water Exhibit 15
Volume Calculation for Unmetered Customer Class

Metered Class	Five Year Average Customer Count	Five Year Average Usage (CCF)	Ave Annual Usage Per Customer (CCF)
Residential	10,286	1,957,785	190
Business	2,756	1,741,774	632
Public Authority	64	463,766	7,246
Irrigation [1]	416	283,079	680

Unmetered Class	Five Year Average Customer Count	Ave Annual Usage Per Customer (CCF)	Unmetered Multiplier [2]	Estimated Total Class Usage TY 2004 (CCF)
Residential	6,407	190	1.40	**1,707,266**
Business	158	632	1.40	**139,797**
Public Authority [3]	38	680	2.00	**51,680**
Irrigation	430	680	2.00	**585,211**

NOTES:
[1] *The number of metered irrigation customers was based on the maximum number of customers during the irrigation season*
[2] *Unmetered multiplier based on total pumped water and losses less metered consumption*
[3] *Unmetered Public Authority accounts are irrigation customers. Mostly parks and school irrigation.*
[4] *Customer numbers provided by Company*

Mountain Water Company
Water Exhibit 16
Development of the Base
Allocation Factor

Customer Class	TY 2004 Consumption (CCF)	TY 2004 Consumption (MGD)	% of Total
Residential	1,957,785	4.0	28.25%
Residential - Unmetered	1,707,266	3.5	24.63%
Business	1,741,774	3.6	25.13%
Business- Unmetered	139,797	0.3	2.02%
Public Authority	463,766	1.0	6.69%
Pub. Authority - Unmetered	51,680	0.1	0.75%
Irrigation	283,079	0.6	4.08%
Irrigation Unmetered	585,211	1.2	8.44%
Inter-departmental	484	0.0	0.01%
Total Consumption	6,930,843	14.2	100.00%
Plus: Unaccounted for Water		9.4	
Total TY 2004 Consumption		23.6	
Hist. Ave. Day		23.6	
Allocation Factor			(BASE)

NOTES:
[1] *Historical Average Day based on 5 year average pumping records*

Exhibit JK-1

Mountain Water Company
Water Exhibit 17
Development of the Max Day Allocation Factor

Customer Class	Average Daily Consumption (MGD)	Peaking Factor	Peak Day Use (MGD)	% of Total
Residential	4.01	2.65	10.6	31.21%
Residential - Unmetered	3.50	2.65	9.3	27.21%
Business	3.57	1.75	6.2	18.33%
Business- Unmetered	0.29	1.75	0.5	1.47%
Public Authority	0.95	1.85	1.8	5.16%
Pub. Authority - Unmetered	0.11	3.00	0.3	0.93%
Irrigation	0.58	3.00	1.7	5.11%
Irrigation Unmetered	1.20	3.00	3.6	10.56%
Inter-departmental	0.00	4.50	0.0	0.01%
	14.20	2.40	34.1	100.00%
		Plus: Unaccounted for Water	9.4	
		Total TY 2004 Consumption	43.5	
		Historical Peak Day [2]	44.2	
Allocation Factor				(MAX-D)

NOTES:
[1] *Unmetered Peaking Factors are Set Equal to the Metered Peaking Factor*
[2] *Five Year Average*

Exhibit JK-1

Mountain Water Company
Water Exhibit 18
Development of the Customer
Allocation Factor - Metered & Unmetered

	Actual Customer		Weighted Customer Service & Accounting				Weighted Meters [2]		
Customer Class	Number of Customers	% of Total	Number of Bills	Weighting Factor	Weighted Customer	% of Total	Weighting Factor	Weighted Customer	% of Total
Residential	10,286	50.04%	123,423	1.0	123,423	50.61%	$224	$2,307,122	65.70%
Residential - Unmetered	6,407	31.17%	76,878	1.0	76,878	31.53%	$0	0	0.00%
Business	2,756	13.41%	33,092	1.0	33,092	13.57%	$350	963,810	27.45%
Business- Unmetered	158	0.77%	1,895	1.0	1,895	0.78%	$0	0	0.00%
Public Authority	64	0.31%	765	1.0	765	0.31%	$1,340	85,759	2.44%
Pub. Authority - Unmetered	38	0.18%	456	1.0	456	0.19%	$0	0	0.00%
Irrigation [1]	416	2.02%	2,015	1.0	2,015	0.83%	$370	154,029	4.39%
Irrigation Unmetered	430	2.09%	5,318	1.0	5,318	2.18%	$0	0	0.00%
Inter-departmental	1	0.00%	12	1.0	12	0.00%	$648	648	0.02%
Total	20,556	100.00%	243,854.00		243,854	100.00%		$3,511,368	100.00%
Allocation Factor		(AC)				(WCA)			(WMS)

Notes:
[1] *The number of metered irrigation customers was based on the maximum number of customers during the irrigation season*
[2] *Weighting Factor is based on the weighted average cost of a meter*

Mountain Water Company
Water Exhibit 19
Development of the Public Fire Protection Allocation Factor

Customer Class	Number of Customers [1]	Fire Prot. Requirements (gals/min)	Duration (minutes)	Estimated Fire Protection Contribtions (1,000 g/min)	% of Total
Residential	10,286	1,000	120	1,234,320	35.64%
Residential - Unmetered	6,407	1,000	120	768,840	22.20%
Business	2,756	2,000	240	1,322,880	38.20%
Business- Unmetered	158	2,000	240	75,840	2.19%
Public Authority	64	4,000	240	61,440	1.77%
Pub. Authority - Unmetered [2]	38	0	0	0	0.00%
Irrigation	416	0	0	0	0.00%
Irrigation Unmetered	430	0	0	0	0.00%
Inter-departmental	1	0	0	0	0.00%
Total	20,556			3,463,320	100.00%
Allocation Factor					(FP)

Notes:
[1] *Number of of December 2004 active accounts; see Exhibit 13*
[2] *Un-Metered Public Authority accounts are parks and streets*

Exhibit JK-1

Mountain Water Company
Water Exhibit 20
Development of the Revenue
Related Allocation Factor

Customer Class	Test Year 2004	% of Total
Residential	$4,696,013	33.51%
Residential - Unmetered	3,319,555	23.69%
Business	3,634,949	25.94%
Business- Unmetered	176,482	1.26%
Public Authority	816,778	5.83%
Pub. Authority - Unmetered	62,406	0.45%
Irrigation	490,012	3.50%
Irrigation Unmetered	814,638	5.81%
Inter-departmental	1,746	0.01%
Total Rate Revenues	$14,012,579	100.00%
Allocation Factor		(RR)

Mountain Water Company
Water Exhibit 21
Public/Private Fire Connections
Public and Private Allocation Only

Private Fire

Connnection Size	# Connections	Factor [1]	Equivalent Services	
1"	3	1.00	3	
1 1/4"	20	1.80	36	
1 1/2"	7	2.90	20	
2"	52	6.19	322	
3"	21	17.98	378	
4"	155	38.32	5,939	
6"	95	111.31	10,575	
8"	38	237.21	9,014	
10"	0	426.58	0	
	391		26,287	17.5%

Public Fire - Hydrants

Hydrant Size	# Hydrants	Factor [1]	Equivalent Services	
1"	0	1.00	0	
1 1/4"	0	1.80	0	
1 1/2"	0	2.90	0	
2"	0	6.19	0	
3"	0	17.98	0	
4"	0	38.32	0	
6"	1,110	111.31	123,555	
8"	3	237.21	712	
10"	0	426.58	0	
	1,113		124,267	82.5%

Note: [1] Factors Based on AWWA M-1 Manual Pg. 224

(FF-1)

Exhibit JK-1

Mountain Water Company
Water Exhibit 22
Allocation of Rate Base and Return by Customer Class

Classification Components	Net Rate Base	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental	Public Fire Protection [1]	Private Fire Protection	*Basis of Allocation*
Base	$13,957,366	$3,942,597	$3,438,101	$3,507,593	$281,524	$933,934	$104,073	$570,066	$1,178,502	$975	$0	$0	(BASE)
Max Day	11,673,426	3,642,861	3,176,719	2,140,235	171,778	602,424	108,862	596,294	1,232,724	1,529	0	0	(MAX-D)
Actual Customer	0	0	0	0	0	0	0	0	0	0	0	0	(AC)
Weighted Customer Accounting	0	0	0	0	0	0	0	0	0	0	0	0	(WCA)
Weighted Meters	2,784,295	1,829,403	0	764,241	0	68,002	0	122,136	0	514	0	0	(WMS)
Fire Protection													
Direct Fire	2,332,036	0	0	0	0	0	0	0	0	0	2,332,036	0	(FF-1)
Indirect Fire	14,178	0	0	0	0	0	0	0	0	0	11,703	2,476	(FF-1)
Total Fire Protection	2,346,214	0	0	0	0	0	0	0	0	0	2,343,739	2,476	
Revenue Related	0	0	0	0	0	0	0	0	0	0	0	0	(RR)
Direct Assignment	0	0	0	0	0	0	0	0	0	0	0	0	(DA)
Total Rate Base by Customer Class	**$30,761,302**	**$9,414,861**	**$6,614,820**	**$6,412,069**	**$453,302**	**$1,604,360**	**$212,935**	**$1,288,496**	**$2,411,225**	**$3,018**	**$2,343,739**	**$2,476**	
Rate of Return	9.335%	9.335%	9.335%	9.335%	9.335%	9.335%	9.335%	9.335%	9.335%	9.335%	9.335%	9.335%	
Return Component	**$2,871,568**	**$878,877**	**$617,493**	**$598,567**	**$42,316**	**$149,767**	**$19,878**	**$120,281**	**$225,088**	**$282**	**$218,788**	**$231**	

Note:

Exhibit JK-1

Mountain Water Company
Water Exhibit 23
Allocation of O&M Costs by Customer Class

Classification Components	Net O&M from Rates	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental	Public Fire Protection [1]	Private Fire Protection	*Basis of Allocation*
Base	$4,938,179	$1,394,909	$1,216,416	$1,241,002	$99,604	$330,430	$36,822	$201,692	$416,959	$345	$0	$0	(BASE)
Max Day	2,726,856	850,955	742,066	499,949	40,127	140,723	25,430	139,291	287,958	357	0	0	(MAX-D)
Actual Customer	204,253	102,206	63,662	27,385	1,570	636	378	4,134	4,273	10	0	0	(AC)
Weighted Customer Accounting	872,422	441,563	275,042	118,391	6,780	2,737	1,631	7,209	19,026	43	0	0	(WCA)
Weighted Meters	817,013	536,813	0	224,256	0	19,954	0	35,839	0	151	0	0	(WMS)
Fire Protection													
Direct Fire	49,832	0	0	0	0	0	0	0	0	0	49,832	0	(FF-1)
Indirect Fire	311,806	0	0	0	0	0	0	0	0	0	257,365	54,441	(FF-1)
Total Fire Protection	361,638	0	0	0	0	0	0	0	0	0	307,197	54,441	
Revenue Related	99,880	33,473	23,661	25,909	1,258	5,822	445	3,493	5,807	12	0	0	(RR)
Direct Assignment	0	0	0	0	0	0	0	0	0	0	0	0	(DA)
Total O&M Cost by Customer Class	**$10,020,241**	**$3,359,918**	**$2,320,848**	**$2,136,892**	**$149,338**	**$500,302**	**$64,705**	**$391,658**	**$734,023**	**$918**	**$307,197**	**$54,441**	

Note:

Exhibit JK-1

Mountain Water Company
Water Exhibit 24
Allocation of Depreciation Expense by Customer Class

Classification Components	Net Depreciation	Residential	Residential - Unmetered	Business	Business-Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental	Public Fire Protection [1]	Private Fire Protection	*Basis of Allocation*
Base	$771,515	$217,933	$190,046	$193,888	$15,562	$51,625	$5,753	$31,511	$65,143	$54	$0	$0	(BASE)
Max Day	639,977	199,714	174,159	117,335	9,417	33,027	5,968	32,691	67,582	84	0	0	(MAX-D)
Actual Customer	0	0	0	0	0	0	0	0	0	0	0	0	(AC)
Customer Accounting	0	0	0	0	0	0	0	0	0	0	0	0	(WCA)
Meters	153,591	100,916	0	42,158	0	3,751	0	6,737	0	28	0	0	(WMS)
Fire Protection													
Direct Fire	75,908	0	0	0	0	0	0	0	0	0	75,908	0	(FF-1)
Indirect Fire	24,422	0	0	0	0	0	0	0	0	0	20,158	4,264	(FF-1)
Total Fire Protection	100,330	0	0	0	0	0	0	0	0	0	96,066	4,264	
Revenue Related	0	0	0	0	0	0	0	0	0	0	0	0	(RR)
Direct Assignment	0	0	0	0	0	0	0	0	0	0	0	0	(DA)
Total Allocated Depreciation Exp.	**$1,665,414**	**$518,563**	**$364,205**	**$353,381**	**$24,979**	**$88,403**	**$11,721**	**$70,940**	**$132,726**	**$166**	**$96,066**	**$4,264**	

Note:

Exhibit JK-1

Mountain Water Company
Water Exhibit 25
Total Allocated Revenue Requirement

Classification Components	TOTAL	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental	Public Fire Protection [1]	Private Fire Protection	*Basis of Allocation*
Base	$5,709,694	$1,612,842	$1,406,462	$1,434,890	$115,166	$382,055	$42,574	$233,203	$482,103	$399	$0	$0	(BASE)
Max Day	3,366,833	1,050,669	916,225	617,284	49,544	173,750	31,398	171,982	355,540	441	0	0	(MAX-D)
Actual Customer	204,253	102,206	63,662	27,385	1,570	636	378	4,134	4,273	10	0	0	(AC)
Weighted Customer Accounting	872,422	441,563	275,042	118,391	6,780	2,737	1,631	7,209	19,026	43	0	0	(WCA)
Weighted Meters	970,605	637,730	0	266,414	0	23,705	0	42,576	0	179	0	0	(WMS)
Fire Protection													
Direct Fire	125,740	0	0	0	0	0	0	0	0	0	125,740	0	(FF-1)
Indirect Fire	336,229	0	0	0	0	0	0	0	0	0	277,523	58,706	(FF-1)
Total Fire Protection	461,969	0	0	0	0	0	0	0	0	0	403,263	58,706	
Revenue Related	99,880	33,473	23,661	25,909	1,258	5,822	445	3,493	5,807	12	0	0	(RR)
Direct Assignment	0	0	0	0	0	0	0	0	0	0	0	0	(DA)
Return Component	2,871,568	878,877	617,493	598,567	42,316	149,767	19,878	120,281	225,088	282	218,788	231	
Total Allocated Revenue Requirement	**$14,557,222**	**$4,757,359**	**$3,302,546**	**$3,088,840**	**$216,633**	**$738,472**	**$96,304**	**$582,878**	**$1,091,836**	**$1,366**	**$622,051**	**$58,937**	

Note:

Exhibit JK-1

Mountain Water Company
Water Exhibit 26
Summary of the Cost of Service Analysis

	TOTAL	Residential	Residential - Unmetered	Business	Business-Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental	Public Fire Protection [1]	Private Fire Protection
Projected Rate Revenues	$14,557,223	$4,696,013	$3,319,555	$3,634,949	$176,482	$816,778	$62,406	$490,012	$814,638	$1,746	$425,663	$118,980
Allocated O&M	$10,020,241	$3,359,918	$2,320,848	$2,136,892	$149,338	$500,302	$64,705	$391,658	$734,023	$918	$307,197	$54,441
Allocated Depreciation	1,665,414	518,563	364,205	353,381	24,979	88,403	11,721	70,940	132,726	166	96,066	4,264
Net Income/(Loss)	$2,871,568	$817,531	$634,502	$1,144,676	$2,164	$228,073	($14,020)	$27,415	($52,110)	$662	$22,400	$60,275
Proposed Return Component	$2,871,568	$878,877	$617,493	$598,567	$42,316	$149,767	$19,878	$120,281	$225,088	$282	$218,788	$231
Proposed Rate Revenues	$14,557,222	$4,757,359	$3,302,546	$3,088,840	$216,633	$738,472	$96,304	$582,878	$1,091,836	$1,366	$622,051	$58,937
Required $ Change in Rates	$0	($61,346)	$17,009	$546,109	($40,151)	$78,306	($33,898)	($92,866)	($277,198)	$380	($196,388)	$60,043
Required % Change in Rates	**0.0%**	**1.3%**	**-0.5%**	**-15.0%**	**22.8%**	**-9.6%**	**54.3%**	**19.0%**	**34.0%**	**-21.8%**	**46.1%**	**-50.5%**
+/- Re-Allocation of Public Fire Costs	$0	$221,698	$138,092	$237,604	$13,622	$11,035	$0	$0	$0	$0	($622,051)	$0
Net Proposed Rate Revenues	14,557,222	4,979,057	3,440,638	3,326,444	230,255	749,508	96,304	582,878	1,091,836	1,366	0	58,937
Adjusted Required $ Change in Rates	0	(283,044)	(121,083)	308,505	(53,773)	67,270	(33,898)	(92,866)	(277,198)	380	425,663	60,043
Total Required % Change in Rates	**0.0%**	**6.0%**	**3.6%**	**-8.5%**	**30.5%**	**-8.2%**	**54.3%**	**19.0%**	**34.0%**	**-21.8%**	**-100.0%**	**-50.5%**
Re-Distribution of Private Fire Costs	0	(20,620)	(14,249)	(13,776)	(954)	(3,104)	(399)	(2,414)	(4,522)	(6)	0	60,043
Net Proposed Rate Revenues	14,557,222	4,958,436	3,426,389	3,312,668	229,301	746,404	95,905	580,464	1,087,314	1,360	0	118,980
Adjusted Required $ Change in Rates	0	(262,423)	(106,834)	322,281	(52,819)	70,374	(33,499)	(90,452)	(272,676)	386	425,663	0
Total Required % Change in Rates	**0.0%**	**5.6%**	**3.2%**	**-8.9%**	**29.9%**	**-8.6%**	**53.7%**	**18.5%**	**33.5%**	**-22.1%**	**-100.0%**	**0.0%**

Note:

Exhibit JK-1

Mountain Water Company
Water Exhibit 27
Summary of the Cost of Service Analysis

	TOTAL	Metered Customers	Un-Metered Customers	Public Fire	Private Fire
Projected Rate Revenues	$14,557,223	$9,639,498	$4,373,081	$425,663	$118,980
Allocated O&M	$10,020,241	$6,389,689	$3,268,914	$307,197	$54,441
Allocated Depreciation	1,665,414	1,031,453	533,631	96,066	4,264
Net Income/(Loss)	$2,871,568	$2,218,356	$570,537	$22,400	$60,275
Proposed Return Component	$2,871,568	$1,747,774	$904,775	$218,788	$231
Proposed Rate Revenues	$14,557,222	$9,168,915	$4,707,319	$622,051	$58,937
Required $ Change in Rates	$0	$470,583	($334,238)	($196,388)	$60,043
Required % Change in Rates	**0.0%**	**-4.9%**	**7.6%**	**46.1%**	**-50.5%**
+/- Re-Allocation of Public Fire Costs	$0	$470,337	$151,714	($622,051)	$0
Net Proposed Rate Revenues	14,557,222	9,639,253	4,859,033	0	58,937
Adjusted Required $ Change in Rates	0	245	(485,952)	425,663	60,043
Total Required % Change in Rates	**0.0%**	**0.0%**	**11.1%**	**-100.0%**	**-50.5%**
Re-Distribution of Private Fire Costs	0	(39,920)	(20,123)	0	60,043
Net Proposed Rate Revenues	14,557,222	9,599,332	4,838,910	0	118,980
Adjusted Required $ Change in Rates	0	40,166	(465,829)	425,663	0
Total Required % Change in Rates	**0.0%**	**-0.4%**	**10.7%**	**-100.0%**	**0.0%**

Note:

Exhibit JK-1

Mountain Water Company
Water Exhibit 28
Cost of Service Average Unit Costs

	Total	Residential	Residential - Unmetered	Business	Business- Unmetered	Public Authority	Pub. Authority - Unmetered	Irrigation	Irrigation Unmetered	Inter-departmental
Base $/CCF	$0.55	$0.55	$0.55	$0.55	$0.55	$0.55	$0.55	$0.55	$0.55	$0.55
Max Day $/CCF	$0.32	$0.36	$0.36	$0.24	$0.24	$0.25	$0.41	$0.41	$0.41	$0.61
Fire Protection $/CCF	$0.09	$0.11	$0.08	$0.14	$0.10	$0.02	$0.00	$0.00	$0.00	$0.00
Revenue/Direct $/CCF	$0.01	$0.02	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.03
Return Component $/CCF	$0.41	$0.45	$0.36	$0.34	$0.30	$0.32	$0.38	$0.42	$0.38	$0.58
Total $/CCF	$1.39	$1.49	$1.36	$1.28	$1.19	$1.16	$1.35	$1.39	$1.35	$1.76
Customer Costs - $/equivalent meter/month	$21.76	$16.30	$0.00	$12.59	$0.00	$16.94	$0.00	$28.95	$0.00	$5.33
Customer Costs - $/account/month	$20.56	$16.76	$14.48	$33.15	$33.36	$276.49	$58.48	$37.86	$58.63	$42.66
Average Total Cost $/CCF	$2.10	$2.43	$1.93	$1.77	$1.55	$1.59	$1.86	$2.06	$1.87	$2.82
Basic Data:										
Annual Flow - CCF	6,930,843	1,957,785	1,707,266	1,741,774	139,797	463,766	51,680	283,079	585,211	484
Equivalent Meters	19,429	10,577	0	7,256	0	1,045	0	544	0	8
Number of Accounts	20,556	10,286	6,407	2,756	158	64	38	416	430	1

Mountain Water Company
Water Exhibit 29
Allocation of Public/Private Fire Protection Costs

	TY 2004	Public Hydrants	Private Connections
Allocated Direct Fire Costs			
O&M/Taxes	$49,832	49,832	0
Depreciaton	75,908	75,908	0
Return Component	217,696	217,696	0
Total Direct Fire Costs	$343,436	$343,436	$0
Allocated Indirect Fire Costs			
O&M/Taxes	$311,806	257,365	54,441
Depreciaton	24,422	20,158	4,264
Return Component	1,324	1,092	231
	$337,552	$278,615	$58,937
Total Fire Related Costs	**$680,988**	**$622,051**	**$58,937**
Units/Equivalent Conn.	**150,553**	**124,267**	**26,287**
$/Equivalent/Month	**$0.38**	**$0.42**	**$0.19**

Mountain Water Company
Water Exhibit 30
Fire Protection Unit Costs

Hydrant Size	Public Hydrants	Private Connections
1"	$0.42	$0.19
1 1/4"	0.75	0.34
1 1/2"	1.21	0.54
2"	2.58	1.16
3"	7.50	3.36
4"	15.98	7.16
6"	46.43	20.80
8"	98.95	44.32
10"	177.95	79.70

Exhibit JK - 2

Mountain Water Company
Missoula Division

PER COST OF SERVICE ANALYSIS IN STIPULATION TO DOCKET 2005.4.49

38.5.176 Statement L - Allocated Cost of Service

Line No.	Rate Class.	Customer Service (Col. 1)	Pumping & Water Treatment (Col. 2)	Other Operating Expenses (Col. 3)	Depreciation and Amortization (Col. 4)	Taxes (Col. 5)	Return (Col. 6)	Total (Col. 7)
1	Metered	$ 491,512	$ 853,885	$ 4,290,893	$ 1,179,514	$ 1,362,903	$ 2,075,063	$ 10,253,769
2	Flat Rate	206,397	586,327	1,439,008	359,345	463,186	705,216	3,759,478
3	Public Fire Prot.	1,125	-	200,165	113,386	45,224	65,764	425,664
4	Private Fire Prot.	11,659	-	52,086	12,944	16,765	25,526	118,980
5	Misc. Revenue	-	-	3,761	-	-	-	3,761
6								
7	Total	$ 710,692	$ 1,440,211	$ 5,985,913	$ 1,665,189	$ 1,888,078	$ 2,871,569	$ 14,561,652

Exhibit JK - 3

PER NEW COST OF SERVICE ANALYSIS

38.5.176 Statement L - Allocated Cost of Service

Line No.	Rate Class.	AC, WCA [1] & WM (Col. 1)	Max Day (Col. 2)	Base, Re-allocated Fire Protection (Col. 3)	Revenue Related (Col. 4)	Return (Col. 5)	Total (Col. 6)
1	Metered	$ 1,674,919	$ 2,014,126	$ 3,928,378	$ 68,709	$ 1,913,201	$ 9,599,333
2	Flat Rate	372,361	1,352,707	2,124,535	31,171	958,135	4,838,910
3	Public Fire Prot.	-	-	-	-	-	-
4	Private Fire Prot.	-	-	118,749	-	231	118,980
5	Misc. Revenue	-	-	3,761	-	-	3,761
6	Computational Rounding			668			668
7	Total	$ 2,047,280	$ 3,366,833	$ 6,176,092	$ 99,880	$ 2,871,568	$14,561,652

(1) Allocations for costs related to Actual Customers (AC), Weighted Customers and Accounting (WCA) and Weighted Meters (WM). See HDR Cost Of Service report, Technical Appendix, Exhibit 18, for development of these factors.

Exhibit JK - 4

Mountain Water Company
Missoula Division
Proposed Change To Revenues By Class

	(1)	(2)	(3)	(4)
Unmetered Sales	**Stipulated Revenues**	**Proposed Change**	**Revised Revenues**	**Difference - Percent**
460.1 Residential	$ 3,319,555	$ 142,717	$ 3,462,272	4.3%
465.2 Sprinkling	814,638	272,676	1,087,314	33.5%
460.2 Commercial	176,482	7,587	184,069	4.3%
460.4 Public Authorities	62,406	2,683	65,089	4.3%
Sub-Total Unmetered	**$ 4,373,081**	**$ 425,663**	**$ 4,798,744**	**9.7%**
Metered Sales				
461.1 Residential	4,696,013	$ -	$ 4,696,013	0.0%
461.2 Commercial	3,634,949	-	3,634,949	0.0%
461.3 Industrial	-	-	-	0.0%
461.4 Public Authorities	816,778	-	816,778	0.0%
465.1 Metered Sprinkling	490,012	-	490,012	0.0%
Sub-Total Metered	**$ 9,637,752**	**$ -**	**$ 9,637,752**	**0.0%**
Other				
462 Private Fire	118,980	-	$ 118,980	0.0%
463 Public Fire	425,663	(425,663)	0	-100.0%
467 Interdepartmental	1,746	-	1,746	0.0%
471 Miscellaneous	3,761	-	3,761	0.0%
Computational Rounding	668	-	668	0.0%
Total Stipulated Revenues	**$ 14,561,652**	**$ -**	**$ 14,561,652**	**0.0%**

Exhibit JK - 5

Mountain Water Company
Missoula Division
Revenues Under New COSA Adjusted For 10/06 Power Tracker Increase

	(1)	(2)	(3)	(4)	(5)
Unmetered Sales	**Stipulated Revenues**	**Increase Per Power Tracker Filing 9/09 - D.2006.9.137**	**Stipulated Revenues Adjusted For Power Tracker Increase**	**Adjustment Proposed To Conform With New COSA**	**Adjusted Rate Increase - Percent**
460.1 Residential	$ 3,319,555	136,013	$ 3,455,568	$ 142,717	4.1%
465.2 Sprinkling	814,638	33,378	848,016	272,676	32.2%
460.2 Commercial	176,482	7,231	183,713	7,587	4.1%
460.4 Public Authorities	62,406	2,557	64,963	2,683	4.1%
Sub-Total Unmetered	**$ 4,373,081**	**$ 179,180**	**$ 4,552,261**	**$ 425,663**	**9.4%**
Metered Sales					
461.1 Residential	4,696,013	114,884	4,810,897	-	0.0%
461.2 Commercial	3,634,949	102,208	3,737,157	-	0.0%
461.3 Industrial	-	-	-	-	0.0%
461.4 Public Authorities	816,778	27,214	843,992	-	0.0%
465.1 Metered Sprinkling	490,012	16,611	506,623	-	0.0%
Sub-Total Metered	**$ 9,637,752**	**$ 260,917**	**$ 9,898,669**	**$ -**	**0.0%**
Other					
462 Private Fire	118,980		118,980	-	0.0%
463 Public Fire	425,663		425,663	(425,663)	-100.0%
467 Interdepartmental	1,746	28	1,774	-	0.0%
471 Miscellaneous	3,761		3,761	-	0.0%
Computational Rounding	668		668	-	0.0%
Total Stipulated Revenues	**$ 14,561,652**	**$ 440,125**	**$ 15,001,777**	**$ -**	**0.0%**